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WEALTH WONDERS THE INDIAN BFSI ₹ STORY

The background is a light gray field filled with various faint, stylized icons related to finance and business. These include a document with a magnifying glass over a dollar sign, interlocking gears with dollar signs, a classical bank building, a head profile with a brain inside, a laptop displaying a pie chart, a stack of coins with an upward arrow, a hand holding a shield, a balance scale, and various geometric shapes like triangles, circles, and squares. Dashed lines connect some of these icons, suggesting a flow or relationship between different concepts.

Wealth Wonders **The Indian BFSI Story**

Disruptions in the BFSI Sector



Shailesh Haribhakti
Non-Executive Chairman & Independent
Director On Multiple Boards

In the exploration of money's evolution and its implications for the future, we find ourselves at a crossroads marked by rapid technological advancements and profound societal changes. The financial sector - spanning Banking, Fintech, Financial Services, and Insurance (BFSI) - is undergoing a transformation unlike anything we have seen before. Let us delve into this shifting landscape, where emerging technologies, ethical considerations, and sustainability goals are reshaping finance and value creation.

The Foundations of Money and Trust

Money, at its core, is a shared belief - a social agreement that allows us to transact and build value across distances, cultures, and generations. Its historical journey, from tangible items like precious metals to today's digital currency, highlights an evolution from physical to purely trust-based value systems. This trajectory will only accelerate as our collective understanding of value becomes increasingly abstract. Now, with digital and virtual currencies on the rise, our financial systems are transitioning into a realm where trust, data, and technology intersect to create new forms of capital.

Banking: The Core of Economic Resilience

The Evolution and Digital Transformation of Banking

Banking institutions, once repositories for savings and loans, have become powerful engines of economic dynamism, risk management, and capital creation. Today, banks are embracing digital transformation—integrating blockchain, artificial intelligence, and automation to create seamless, resilient services. This shift democratizes financial access, enabling individuals worldwide to manage their finances with unprecedented ease and transparency.

Navigating Emerging Challenges

Yet, as banks move into a digital age, they face complex challenges. Cybersecurity risks are paramount, with digital threats evolving as rapidly as the technologies banks deploy. Regulatory frameworks must also adapt to this new landscape, balancing the need for innovation with consumer protection. Future banking must focus on building secure, adaptive systems that uphold trust while ensuring access and inclusion.

Fintech: Disruptive Innovation Redefining Finance

Fintech's Role in Reshaping Finance

Fintech is redefining finance by leveraging technology to streamline processes, create efficiencies, and expand access. Unlike traditional banking, which seeks primarily to digitize existing services, fintech is fundamentally transforming how we interact with money. This sector is home to the latest in innovation, driving a future where financial services are embedded, seamlessly into our everyday lives.

Key Innovations Driving Fintech Forward

1. **Blockchain Technology:** As a decentralized ledger, blockchain provides transparency, security, and efficiency, potentially eliminating costly intermediaries in transactions.
2. **Artificial Intelligence:** AI-driven algorithms analyze vast datasets, enhancing risk assessments, personalizing financial advice, and supporting real-time financial decision-making.
3. **Peer-to-Peer Lending:** Fintech platforms are bypassing traditional banks to create direct lending networks, offering attractive rates and fostering greater financial inclusion.
4. **Digital Wallets:** By promoting cashless transactions, digital wallets are creating faster, more convenient payment experiences that fuel cashless societies.

Ethical and Regulatory Considerations in Fintech

The rapid rise of fintech brings new ethical considerations, particularly around data privacy, inclusivity, and algorithmic fairness. Fintech must address these concerns proactively to ensure that technological advances serve the broader goal of equitable access to financial services.

Financial Services: Evolving to Meet Modern Needs

The Expanding Role of Financial Services

Financial services now span beyond traditional banking, covering investment management, wealth advisory, insurance products, and more. This sector is responding to shifts in value perception, where the focus has expanded from wealth accumulation to holistic financial well-being, environmental sustainability, and social impact.

Innovations Transforming Financial Services

1. **Personalized Financial Products:** Data-driven insights enable firms to create bespoke financial solutions that align closely with individual goals.
2. **AI-Enhanced Insights:** With AI tools, advisors can monitor real-time trends and deliver investment strategies that are tailored to current market conditions.
3. **Robo-Advisors:** These platforms democratize wealth management, offering low-cost, accessible investment options to a broad audience.
4. **Sustainable Investment Strategies:** As the importance of sustainability grows, financial providers are integrating environmental, social, and governance (ESG) factors into their strategies.

A New Approach to Regulation

To support innovation while maintaining stability, a new regulatory framework is needed. Financial services must work with regulators to create policies that are responsive to technological changes and ensure fair access for all.

Insurance: Redefining Risk Management in a Digital World

The Expanding Scope of Insurance

Insurance remains a cornerstone of risk management, offering protection against life's uncertainties. Today's insurance models are evolving, driven by data, technology, and a deeper understanding of human behavior. From telematics-based premiums to cyber risk coverage, insurance products are adapting to an increasingly interconnected world.

Technological Innovations in Insurance

1. **Telematics-Based Insurance:** Real-time data from vehicles and devices allows for usage-based models, giving customers personalized premiums based on actual risk.
2. **AI-Powered Claims Processing:** Automation is streamlining claims, ensuring swift resolutions and boosting customer satisfaction.
3. **Cyber Insurance:** Specialized policies address data breaches and cyberattacks, offering businesses protection against digital threats.
4. **Wellness-Based Health Insurance:** Integrating wellness incentives into health plans encourages healthier lifestyles and rewards preventive care.

The Ethical Dimension of Modern Insurance

The reliance on data to personalize insurance products introduces ethical challenges. Insurers must carefully navigate issues of privacy and fairness, ensuring that policyholders are treated equitably and that risk models do not inadvertently perpetuate bias.

The Future of Money: Mapping the Road Ahead



As we look to the future of money, several key themes will guide the evolution of the BFSI sector:

1. **The Digital Currency Transition:** With an overwhelming majority of transactions now digital, cryptocurrencies and digital currencies represent a shift toward a more decentralized understanding of value.
2. **Artificial Intelligence and Automation:** AI will reshape financial decision making across BFSI, boosting efficiency while raising ethical questions around accountability and transparency.
3. **Sustainability as a Central Value:** With global awareness of climate change and social responsibility on the rise, BFSI must align with sustainable practices, prioritizing ethical investments and environmentally responsible strategies.
4. **Reimagining Financial Systems for Equity:** Future financial systems must go beyond profit, focusing on cooperation, accessibility, and equity. This requires new frameworks that foster inclusivity and ensure that technological progress benefits everyone.

Conclusion: Navigating the Future with Responsibility

At this juncture, it is imperative that we recognize the true nature of money—as a social construct shaped by collective beliefs. As we drive forward, innovation must be rooted in ethics, collaboration, and resilience. The BFSI sector must balance progress with responsibility, ensuring that advancements serve humanity and create a more equitable future.

In the coming years, collaboration across finance, technology, and policy will be essential in building financial ecosystems that benefit society. As we step into this era of transformation, let us commit to the values that will sustain us—responsibility, inclusivity, and an unwavering focus on enhancing human well-being. By embracing these principles, we honor both our heritage and our shared potential, forging a future that reflects our highest aspirations.



The Vision for Tomorrow

Growth Beyond Borders



Alok Ranjan Tiwari

Managing Director & CEO
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The Indian Banking, Financial Services, and Insurance (BFSI) industry has long been a key pillar of the country's economic growth, contributing significantly to its GDP and providing crucial financial services across diverse sectors. As the world becomes more interconnected, India's BFSI entities are aiming higher, envisioning a future where they not only lead the domestic market but also expand their footprints across the globe. This vision for tomorrow is shaped by strategic global aspirations, innovative fintech collaborations, dynamic policy frameworks, and a forward-thinking approach to skilling and talent development.

As the industry navigates the next phase of its evolution, its leaders must strike a balance between seizing global opportunities, adapting to technological disruptions, and nurturing a future-ready workforce. Let's explore how India's BFSI sector is positioning itself for growth beyond borders, and what the industry's leaders must do to sustain this momentum.

1. Global Aspirations: Indian BFSI Entities Expanding Footprints in Global Markets

India's BFSI sector is at the cusp of a major transformation, driven by the ambitions of Indian financial institutions to grow beyond their domestic boundaries. The global market presents an enormous opportunity for Indian BFSI entities, especially as emerging economies continue to see rapid growth in financial services demand.

Indian banks, insurance companies, and asset management firms have already made significant strides in expanding their global presence. Institutions like the State Bank of India (SBI), ICICI Bank, HDFC Bank, and Bajaj Allianz have long been pioneers in tapping into international markets, particularly in regions like the Middle East, Africa, and Southeast Asia. Their success is rooted in India's growing stature as a global economic power, as well as the increasing demand for financial services in emerging economies.

However, expanding beyond borders is no easy feat. Indian BFSI players must navigate diverse regulatory environments, understand local market nuances, and forge strategic partnerships to ensure sustainable growth. This includes adapting to the complexities of foreign markets, whether through cross-border lending, foreign direct investments, or merger and acquisition strategies.

The rapid rise of digital banking and cross-border payments further supports India's global aspirations. The Indian government's focus on Digital India has created a robust digital infrastructure, making it easier for BFSI players to integrate and offer services globally. Moreover, the growing adoption of UPI in countries like Singapore, the UAE, and Bhutan exemplifies how India's financial technologies are making waves internationally.

The future vision for Indian BFSI entities must involve scaling operations in international markets, forming strategic alliances, and embracing digital solutions to become key players on the global stage. Leaders in the BFSI sector must develop a deep understanding of international market dynamics and leverage India's burgeoning digital economy to expand their global presence.

2. Fintech Collaboration: Merging Traditional Expertise with Disruptive Technologies for a Seamless Ecosystem

The collaboration between traditional BFSI institutions and fintech startups is rapidly emerging as the cornerstone of India's future financial ecosystem. Fintech companies, with their agile, innovative approaches, have introduced disruptive technologies that challenge traditional banking and insurance models. From digital payments to robo-advisory services, these innovations have redefined how consumers access financial services.

For traditional BFSI entities, the integration of fintech innovations offers a golden opportunity to enhance their service offerings, streamline operations, and tap into new customer segments. By merging the deep financial expertise of established institutions with the disruptive capabilities of fintechs, India's BFSI sector can create a seamless, customer-centric ecosystem.

One example of such collaboration is in the digital lending space, where fintech companies are partnering with traditional banks to offer faster, more efficient loans. By leveraging big data, AI-driven credit scoring, and blockchain for transparency, fintech companies are able to assess creditworthiness with greater accuracy and speed than traditional methods. Banks, in turn, benefit from the fintechs' nimbleness, adopting new digital channels and expanding their reach to underbanked populations.

Similarly, in the insurance industry, partnerships between traditional insurers and fintech disruptors are helping to bring innovative products such as micro-insurance and on-demand insurance to the market. These products cater to the needs of the younger, tech-savvy demographic and lower-income populations, which were



traditionally underserved by conventional insurance products.

Indian BFSI leaders must continue to foster these collaborations and partnerships, ensuring that both traditional players and fintechs are able to leverage each other's strengths. The key to success lies in innovation, agility, and customer-centricity, all of which can be achieved when fintechs and traditional BFSI players work hand in hand to build a more inclusive, digital-first ecosystem.

3. Policy Framework: Advocacy for Policy Shifts that Enhance Sector Competitiveness

As the BFSI sector grows and expands globally, there is an urgent need for an adaptive and progressive policy framework. The right regulatory environment can drive competitiveness, foster innovation, and attract global capital, while simultaneously ensuring consumer protection and financial stability.

India's BFSI sector is already benefitting from forward-thinking initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Make in India, and Atmanirbhar Bharat, which have provided a foundation for financial inclusion and economic growth. However, as the industry seeks to expand globally, it is crucial to push for further policy reforms that foster competitiveness on the global stage.

One area of focus is cross-border banking regulations, which must be simplified to facilitate smoother entry into international markets. Indian BFSI players often face challenges when attempting to enter foreign markets due to complex, and sometimes opaque, regulatory processes. A harmonized regulatory framework that enables seamless cross-border operations while ensuring compliance with international standards could significantly enhance the global competitiveness of Indian institutions.

Furthermore, policy advocacy for data privacy and cybersecurity standards is critical as BFSI players increasingly adopt digital platforms. Stronger data protection laws will ensure consumer trust in digital financial services, which is essential for the long-term growth of the industry. Open banking regulations, which encourage sharing of financial data between institutions to foster innovation, are another area where policy changes can help unlock new opportunities.

Indian BFSI leaders must collaborate with regulators to advocate for such policy shifts that create a balanced ecosystem - one that encourages innovation, protects consumers, and enhances the sector's global competitiveness.

4. Skilling and Talent Development: Building a Future-Ready Workforce to Navigate the BFSI's Evolution

A strong, future-ready workforce is crucial for the continued evolution of the BFSI sector. As the industry undergoes rapid transformation, driven by technological innovation and global expansion, the demand for skilled talent has never been higher. To remain competitive and drive the growth of the sector, Indian BFSI entities must invest in building a workforce equipped to navigate these changes.

Skilling and talent development should focus on two key areas: technology adoption and leadership development.

In terms of technology, there is an increasing need for professionals proficient in AI, machine learning, blockchain, and data analytics - skills that are essential to drive digital transformation and provide innovative solutions. BFSI players must prioritize training programs, strategic partnerships with educational institutions, and internal upskilling initiatives to ensure their workforce is equipped to meet these needs.

Equally important is developing leadership skills that can navigate the complexities of a global, technology-driven BFSI landscape. Leaders of tomorrow must be agile, forward-thinking, and capable of making data-driven decisions. Leadership development programs that focus on global market dynamics, digital transformation, and cross-functional management will be key to building a pipeline of future-ready leaders.

The rise of fintech hubs and the increasing importance of entrepreneurial mindsets also present new opportunities for talent development. The BFSI sector must recognize the growing importance of fostering a culture of innovation and entrepreneurship to keep pace with the changing industry landscape.

Shaping the Future of India's BFSI Industry

India's BFSI industry is on the threshold of an exciting new era. With global aspirations, technological collaborations, dynamic policy advocacy, and a focus on skilling, the sector is poised to drive growth beyond borders. Indian BFSI entities must continue to innovate, adapt, and lead with a vision that transcends national boundaries, while nurturing the talent that will fuel this transformation. Leaders in the sector must recognize the importance of strategic global expansion, cutting-edge technology integration, collaborative policy advocacy, and a future-ready workforce. Together, these elements will not only shape the future of India's BFSI industry but also place it at the forefront of the global financial ecosystem.

The vision for tomorrow lies in the hands of today's leaders. By taking bold steps, embracing change, and empowering the workforce, the Indian BFSI sector can realize its global ambitions, creating an inclusive, innovative, and resilient financial ecosystem that thrives on the global stage.

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India in 2047

Building Blocks of Economic Growth



Strategic Levers for India's Banking Revolution

India operates predominantly as a bank-led economy, with savings channelled primarily through the banking system. Since independence, banks have been instrumental in driving the nation's economic growth. As India nears 100 years of independence, it aims to grow its economy to \$30 trillion by 2047. Historical data from various economies indicates that for a tenfold increase in GDP (India's GDP is around \$3.8 trillion), the financial services sector must expand by twenty times. In a landscape where banks have traditionally driven economic activity, the banking sector is poised to play a central role in driving this vision forward, while other financial asset classes also see accelerated growth.

For this large-scale expansion, Indian banks will need to grow their capital base to \$4 trillion, according to BCG. Achieving stable, resilient, and sustainably profitable banking operations will be crucial for supporting India's ambitious economic targets. The sector must navigate away from the extreme volatilities experienced in past cycles to avoid derailing progress.

Currently, India's banking sector is well-positioned to spearhead these efforts, thanks to its high profitability, strong capital adequacy, and low non-performing asset (NPA) ratios. Current NPA ratios are notably lower than historical peaks, reflecting effective credit management and recovery strategies. This efficiency not only reinforces investor confidence but also secures the banks' ability to fund diverse economic ventures.

Moving forward, the BFSI industry must focus on five key structural themes to facilitate and sustain growth, ensuring that it not only supports but also accelerates India's journey towards becoming a developed economy by 2047.

Retail Credit

Over the past 15 years, India's retail lending sector has seen significant growth, revolutionised affordable lending and maintaining stable bank profitability. Unlike other countries where secured lending predominates, India's lending model features a higher proportion of unsecured loans (30:70), the fastest-growing segment of retail credit.

India has indeed made significant strides in financial inclusion through the Pradhan Mantri Jan Dhan Yojana (PMJDY), with over 53 crore accounts opened as of August 2024. However, as India advances, a considerable portion of its predominantly informal workforce, especially in agriculture, will require formal banking for the first time. To drive the financialization of the lower-income pyramid, unsecured lending penetration must see a substantial rise from its current level of 9%, as lending to first time borrowers shows signs of a slowdown with declining approval rates.

The share of originations for first time borrowers has declined consistently over the past five years. However, sequential credit building is evident among new entrants to the formal credit system, starting with small loans and rapidly moving to larger amounts. This indicates significant scope for lenders to drive access to credit opportunities for NTC consumers.

However, early loan delinquency - 90+ days overdue within six months - has surged from 1.2% in FY19 Q4 to 4.2% in FY23 Q4, notably among first time younger borrowers and unsecured loans. Early loan delinquency is a key metric that helps identify loan applications that may show signs of potential fraud.

As defaults grow across a diverse customer base, lenders need to adapt



their collection strategies. This adaptation is crucial not only for unsecured loans but also for secured loans. Interestingly, there are emerging trends where customers may default on secured loans while maintaining regular payments on unsecured ones. This behaviour indicates a nuanced financial prioritization by borrowers, influenced by their personal financial management strategies and the perceived consequences of defaulting on different types of credit.

Amid increasing defaults, lenders must develop a nuanced understanding of each borrower segment's financial dynamics. Targeted communication and customized repayment plans, tailored to the distinctive needs of each group, can strengthen recovery rates and build trust. By synthesizing insights from broader financial behaviours, lenders can devise data-informed, empathetic collection strategies that not only improve recovery rates but also build lasting customer relationships.

India's Retail Lending Overview

Category	FY19 (%)	FY23 (%)	CAGR (%)
Mortgage	51	44	13.0
Auto	9	7	10.5
Unsecured	16	20	25.1
Other	20	24	22.8

Digital Maturity

India Stack has revolutionized the digital infrastructure framework, establishing a robust and resilient system that has dramatically accelerated digitization in the banking sector. Initially evident in payments, this shift is now expanding to product sales.

The Digital Public Infrastructure has positioned Indian financial institutions at the forefront of global innovation across multiple sectors, including payments, lending, digital identity, and financial inclusion. IndiaStack was envisioned to digitize the Indian financial system and offer benefits to every citizen, with banks being a crucial part of it. Due to the introduction of IndiaStack and other digitization efforts, the percentage of the banked population increased from 53.95% in 2011 to 86.71% in 2021. This advancement has streamlined operations for banks and enhanced convenience for customers.

India Stack: Driving a Digital Transformation

Application Layer (OCEN)
17+ Lenders 10+ Loan Agents 6+ Tech Service Providers
Data Layer (Account Aggregator)
103M+ Customer Data extracted in 3 years
Payments Layer (UPI)
131B+ transactions (80% of all digital payments)
Identity Layer (Aadhaar)
1.3Bn+ Aadhar cards (95% adoption in 10 years) 500Mn+ Jan Dhan accounts

India Stack functions as India's digital bloodstream - each layer, from Aadhaar to UPI, powers a flow of data and access, making India a rare example of a nation whose economic pulse is digital-first, reaching every corner with unmatched scale and speed.

The shift of financial transactions to digital formats

India's financial ecosystem has flipped - from 70% cash in FY15 to 96% digital in FY23, revealing a rare, near-total digital adoption in less than a decade, an evolution few global economies have achieved at such scale and speed.

Fiscal Year	Non-Digital (%)	Digital (%)
FY15	70	30
FY17	52	48
FY19	31	69
FY21	11	89
FY23	4	96

Progress in Digital Banking Services

Service	Percentage Done Digitally
Savings Accounts Opened Digitally	28%
Personal Loans Disbursed Digitally	40%
Other Loans Disbursed Digitally	14%

Innovation and Regulatory Evolution

The regulators have been proactive in adapting to the evolving business and operational models of the financial sector, reflecting the sector's increasing maturity. To enhance efficiency and manage risks, a variety of frameworks have been introduced for banks, NBFCs, and fintech companies.

Advancements in credit procedures and the integration of artificial intelligence (AI) are poised to further empower the BFSI sector, enabling them to scale and sustain their relevance through 2030 and beyond.

However, this wave of innovation comes with challenges. Regulatory bodies have intensified their oversight of the fintech space to ensure financial stability and address risks related to cybersecurity and fraud. Measures such as licensing requirements for payment aggregators and updated digital lending guidelines aim to regulate the sector more effectively, potentially shaping how growth and innovations unfold.

To encourage innovation, regulators like RBI and SEBI have introduced "sandbox" frameworks, enabling financial institutions and startups to experiment with new

products in controlled environments. While these sandboxes promote a 'learning by doing' approach, their adoption has been slower than anticipated. Market experts note that innovation is outpacing regulation, hindering the full potential of the sandbox model. Accelerating regulatory adaptation and drawing from global best practices are essential in keeping innovation momentum strong.

In the securities market, for instance, SEBI's regulatory and innovation sandboxes represent important steps to stimulate innovation. However, unregulated fintech entities are currently excluded from the regulatory sandbox, limiting their ability to participate in this structured ecosystem. The regulator provides regulatory flexibility to participants in the regulatory sandbox but does not extend these benefits to those in the innovation sandbox. Expanding the regulatory sandbox mechanism to include unregulated entities and offering them appropriate regulatory reliefs could bridge this gap, fostering a more inclusive and dynamic environment for financial innovation.

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The Shifting Paradigm of Household Savings

Since the pandemic, there has been a noticeable change in how households save. The portion of total savings invested in financial assets has dropped from 40.3% in 2019-20 to 28.5% in 2022-23, while the share of savings in physical assets has gone up from 59.7% to 71.5% over the same period.

Household savings, comprising 60-65% of the nation's gross savings, are vital for individual financial security and economic growth, often funding investments and public projects.

Trends in Household Savings

Year	Net Financial Savings (%)	Physical Savings (%)	HH Savings/GDP (%)
2011-12	31	69	23.6
2012-13	33	67	23.6
2013-14	36	64	23.6
2014-15	36	55	23.6
2015-16	45	59	23.6
2016-17	41	60	23.6
2017-18	40	69	23.6
2018-19	39	61	23.6
2019-20	40	60	23.6
2020-21	48	52	23.6
2021-22	36	64	23.6
2022-23	29	71	23.6



During the pandemic (FY 2020-21) households moved towards safer investment options, resulting in increases in bank deposits (49% YoY), government securities (447% YoY), and life insurance funds (69% YoY). This increase in savings was primarily fuelled by limited spending opportunities and greater financial prudence in response to economic disruptions.

Since then, household savings behaviour has shifted notably, with yearly declines in the growth rate of net financial savings. In 2021-22, net financial savings declined by 26%, followed by a 17% decline in 2022-23. This drop is mainly due to rising financial liabilities, which grew by 22% YoY in 2021-22 and 74% in 2022-23. Loans from the banking sector make up about 76% of household liabilities, with retail credit growth reported by the RBI at 28.6% as of March 2023, up from 12.6% in March 2022.

Households increasingly rely on borrowing for consumption due to a) a strong push for retail credit by lenders, b) an increased appetite for borrowing, especially among younger people, and c) digitization, which has made loans more accessible and affordable.

Over the last decade, households have also diversified their financial savings. Deposits, which made up 58% of their savings in 2011-12, now stand at 37% in 2022-23. While there has been a rise in savings directed towards shares and debentures, their share remains in single digits. Meanwhile, the portion of savings in provident and pension funds has risen significantly from 10% in 2011-12 to 21% in 2022-23.

Category	2011-12 (%)	2022-23 (%)
Deposits	58	37
Insurance Funds	21	18
Provident and Pension Funds	10	21
Currency	11	8
Claims on Government	2	8
Shares and Debentures	2	7

The shift in household financial savings allocation is shaping market dynamics, sparking discussions on factors affecting banks' deposit growth. While some suggest that household savings moving into equities constrains deposit inflow, this view overlooks a critical cycle: funds eventually re-enter the banking system as corporate deposits. In fact, data supports this trend, with household bank deposit ownership declining from 64.1% in FY21 to 61.1% in FY24.

During the same period, the share of corporate deposits (both financial and non-financial) increased from 20.7% in FY21 to 23.5% in FY24. The primary factor limiting deposit growth is the slowdown in reserve money growth, which dropped to 6.7% in FY24 compared to 12.3% in FY22. This decline is attributed to the moderated expansion of the RBI's balance sheet.





Innovations and Strategies for India's Financial Future

From Aspiration to Action

Securing Funds for SMEs in India

India's economic vision for 2047 finds its engine in the Micro, Small, and Medium Enterprises (MSME) sector, central to the country's self-reliance journey. By 2030, MSMEs are expected to contribute 50% of India's GDP, employ approximately 150 million individuals, and account for 60% of India's exports. The BFSI sector's contribution will be essential in achieving these ambitious targets and aligning India's economy with its broader *Atma-Nirbhar* vision.

Access to formal financing continues to be an enduring barrier for MSMEs. Although reforms like Udyam registration, QIL codes, UPI payments, and GST have enhanced the richness of MSME data, facilitating creditworthiness assessment, the pathway to affordable, formal financing remains challenging.

Initiatives like the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the Credit Guarantee Fund for Micro Units (CGPMU) are playing an instrumental role in bridging this gap, enabling more MSMEs to transition to formal financial channels. Yet, unlocking the full potential of these reforms requires further alignment between data availability, lender assessment criteria, and product innovation tailored to MSME needs.

Public Sector Banks Leading in New-to-Credit (NTC) Additions

Public sector banks (PSBs) have emerged as the front-runners in onboarding *New-to-Credit* (NTC) MSMEs, with over 50% of NTC loans originating from PSBs over the past five years. Private sector banks, on the other hand, contributed 28% to NTC loans.

This trend underscores the commitment of PSBs to financial inclusion and suggests a competitive edge in their ability to underwrite credit for the underserved. Private banks are also expanding their outreach to MSMEs, particularly through technology-driven credit models, suggesting a gradual shift toward a more inclusive credit ecosystem.

MSME Lending: A Complex Arena Requiring Strengthened Underwriting Standards

The landscape of *New-to-Credit* lending for MSMEs is inherently complex, demanding advanced underwriting capabilities and rigorous effort. With MSMEs comprising a diverse set of industries and financial profiles, lenders face the challenge of adapting their credit assessment processes to meet these unique requirements.

The gross non-performing assets (GNPA) ratio for Bank of India (BOI) in March 2024 was 4.98%, while AXIS Bank's GNPA stood at 1.43%. The pronounced disparity in Non-Performing Asset (NPA) levels across different lenders reflects the varying degrees of underwriting standards. Those lenders that have invested in



robust, data-driven underwriting frameworks demonstrate significantly lower NPA levels, highlighting the critical role of tailored credit evaluation in successful MSME lending.

Credit Growth and Market Dynamics

The financial year 2024 saw a robust credit growth of 15%, with distinct sectoral variations:

- Retail saw a 13% growth, Agriculture 18%, MSME 18%, and Corporate 13%.
- Public Sector Banks (PSBs) led in retail credit expansion at 15%, while Private and New Banks outperformed in the MSME sector with a significant 24% growth.

This differential growth reflects the strategic focus of PSBs on retail sectors, while Private banks leverage their agility to capture high-growth segments like MSMEs, driving more inclusive financial penetration.

Transparent Borrowing Costs

The RBI has mandated banks and NBFCs to consolidate all loan-related charges and fees into a single, transparent interest rate, effectively eliminating hidden costs that could previously catch borrowers off guard.

Fostering Trust in Borrowing: The requirement for an all-inclusive annual percentage rate in the Key Fact Statement (KFS) ensures borrowers have a clear understanding of the total cost, fostering trust and informed borrowing decisions.

Enhanced Borrower Information: The KFS will include essential details, such as the recovery process and grievance redressal mechanisms, empowering borrowers with knowledge about their rights and responsibilities.

This move by the RBI aims to protect borrowers and create a level playing field across lending institutions, encouraging a more transparent and borrower-friendly lending environment.

A High-Potential, Profitable Opportunity for Lenders

The MSME sector represents a significant untapped opportunity for lenders, with the potential for high profitability when managed effectively. Given the sector's expected growth trajectory, lending institutions that develop tailored financing models and prioritize MSME engagement are well-positioned to benefit.

For lenders, the key lies in leveraging the enriched data ecosystem and adapting risk assessment models to cater to MSME needs, unlocking not only growth for the MSMEs but also sustainable profitability and portfolio diversification for themselves. The journey to fully harnessing the MSME sector's potential is both a profitable endeavour and a critical step toward achieving India's economic vision.



AI-Powered BFSI: A New Era

India's economic landscape is rapidly transforming, with Artificial Intelligence (AI) emerging as a key driver. Research indicates that Indian consumers hold a remarkably positive attitude towards AI, with only 3% expressing distrust. This level of confidence contrasts sharply with other regions, such as Australia, where 33% exhibit distrust, and the UK and the US, where 30% express similar concerns.

Moreover, recent studies suggest that AI could contribute an additional USD 957 billion to India's economy by 2035, representing 15% of the country's current Gross Value Added (GVA). This anticipated economic impact further highlights the transformative potential of AI within the Indian economy. India possesses the world's second-largest talent pool in AI, Machine Learning (ML), and Big Data Analytics. This talent advantage positions India as a global AI development and innovation hub. AI's ability to process massive, complex datasets makes it indispensable for handling financial transactions, risk assessments, and fraud detection—where traditional methods fall short. AI also strengthens cybersecurity by enabling real-time threat detection, which is critical to safeguarding sensitive financial data.

How AI is Bridging the Gaps Created by Legacy Systems and Data Silos in Financial Institutions

Financial institutions hold vast amounts of customer data with the potential to deepen relationships and enhance service. Yet, many struggle to fully utilize this data due to the constraints of legacy systems and data silos. These outdated systems prevent seamless data integration, while data silos fragment customer information across departments, hindering efficient decision-making and personalized service.

Legacy Systems: According to a recent study, over 56% of banking executives see legacy systems as barriers to progress. These older systems fail to support real-time insights and data integrity, constraining the agility and adaptability of financial intermediaries. The high costs and complexity of maintaining legacy systems make modernization challenging, which is nonetheless essential in a digital-first world.

Data Silos: Data silos, often created by outdated systems, impede optimal data usage. Siloed data fragments information across departments, impacting customer experience and operational efficiency. Without a unified view of customer data, institutions miss opportunities for personalized service and fail to respond promptly to customer needs or detect emerging trends.



AI as a Solution: AI has the potential to bridge these gaps by streamlining data integration and providing accessible real-time insights. AI-powered tools can break down silos, consolidate data across departments, and even make legacy systems more interoperable. By automating data analysis and providing predictive insights, AI reduces manual processes and offers financial institutions a holistic view of each customer, improving both service quality and operational efficiency.

What AI Excels at and What It Lacks

Leveraging AI effectively requires recognizing where it thrives and where human expertise is indispensable. The goal should be to move beyond the outdated notion of humans merely "correcting" AI, and instead adopt a complementary approach where human and AI strengths align for optimal outcomes.

Finding Suitable Fits for AI

- **Predictive AI:** Predictive models are excellent for identifying patterns and trends, making them highly effective for straightforward tasks like credit card application scoring. AI's

ability to process vast data points quickly enables it to outperform humans in these repetitive, data-driven tasks. However, in cases of complex, unique loans or structured finance deals, human judgment remains crucial, as these require nuanced decision-making and insights beyond what AI can predict.

- **Generative AI:** Generative AI, on the other hand, excels in creative tasks like product innovation, where it can generate ideas or solutions that are novel and out-of-the-box. Yet, human attempts to refine these outputs can sometimes dilute their originality, making it essential to trust AI's autonomous creative processes in certain contexts.

- **Limitations of GenAI:** Generative AI often struggles when faced with complex, multifaceted business problems that require contextual understanding, ethical considerations, or intricate problem-solving. In such situations, human expertise is critical, as AI lacks the depth of insight necessary to navigate these challenges effectively.

■ ■ ■





Bridging Gaps

NBFC, Financial Inclusion
and Insurance Coverage

NBFCs at the Forefront of Financial Inclusion

NBFCs have become a vital source of finance for various segments, including SMEs and the economically unserved and underserved populations. As of 30 September 2023, there were a total of 9,356 NBFCs registered with the Reserve Bank of India.

NBFCs occupy a unique position in India's financial landscape, unlike banks that primarily fund large-scale infrastructure projects. Their flexibility in ticket sizes and risk profiles, stemming partly from policy forbearance, opens up numerous opportunities, such as financing climate and transition funding across MSMEs and startups, or sectors like electric vehicles (EVs) or niche products for clean technology equipment manufacturing.

This flexibility allows NBFCs to invest in green product development, creating loan structures tailored to the sustainable shift. Examples include sustainability-linked loans (SLLs) with interest rates tied to performance metrics like emission reductions and employment increases, or competitively priced loans to boost uptake in mass-consuming segments like EVs.

In recent years, NBFCs have also increasingly dominated the microfinance segment in India, overtaking traditional banks in market share. This was particularly notable in FY23, as 91 NBFC Microfinance Institutions (MFIs) captured a significant market portion.

By the end of FY23, these NBFC MFIs held a total outstanding loan amount of ₹1.56 lakh crore, which represented 39.1% of the total industry portfolio. In comparison, banks, which now hold the second-largest share in micro-credit, reported a total outstanding loan amount of ₹1.34 lakh crore.

This growing dominance in microfinance underscores NBFCs' adaptability in addressing diverse capital needs, even as they continue to rely on alternative funding sources and secondary markets for raising capital. While some NBFCs hold deposit



licenses, many, including large diversified players, rely on alternative sources like banks and institutional investors for capital.

Many NBFCs also actively tap the secondary market, raising funds through bond issuances and non-convertible debentures, which have gained significant retail acceptance over the past three decades. This indicates strong retail confidence in NBFCs as investment avenues.

Exploring deposits as a liability source and streamlining the process for NBFCs to obtain deposit licenses could enhance the sector's capital-raising capacity and foster a consistent licensing framework.



Innovating for Broader Insurance Coverage

India's insurance sector stands as one of the most dynamic and high-performing industries, exhibiting robust growth. The expansion is propelled by rising incomes and heightened consumer awareness.

Over the past nine years, India's insurance sector has witnessed substantial foreign direct investment, amounting to approximately ₹54,000 crore (US\$ 6.5 billion). This influx has been driven by the government's progressive liberalization of foreign capital regulations.

The sector comprises 57 insurers, including 24 in the life insurance domain and 34 in the non-life segment. Among life insurers, the Life Insurance Corporation of India (LIC) remains the sole public-sector player, whereas six public-sector entities operate in the non-life category. The General Insurance Corporation of India serves as the country's only reinsurance provider.

However, with an insurance penetration of 4% in FY23 - split between 3% for life and 1% for non-life - India trails the global average of 6.8%. Insurance density paints a similar picture, at just USD 92 compared to the global average of USD 853. Despite these figures, India remains firmly positioned among the world's top 15 insurance markets, reflecting its immense growth potential. The intensifying competition among industry players has catalysed the development of innovative and diversified product offerings, further accelerating the sector's transformation.

India faces a significant challenge with an uninsured "missing middle" population of approximately 40 crore individuals or over 8 crore families. This demographic remains highly vulnerable due to the lack of access to health insurance, highlighting an urgent need to develop innovative and specialized products tailored to

their unique needs. Addressing this gap requires a strategic focus on introducing targeted solutions that can effectively cater to this underserved segment.

A similar challenge exists in the motor insurance sector, where 54% of vehicles remain uninsured despite third-party insurance being mandatory. This represents a lost premium potential of ₹40,000 crore and undermines the mandate's effectiveness. The lack of compliance exacerbates the financial burden of road accidents, often leaving victims with inadequate compensation.

These gaps not only strain the insurance ecosystem but also pushes many families below the poverty line, compounding socio-economic vulnerabilities. Both issues highlight the pressing need to enhance insurance penetration and address the systemic challenges preventing broader coverage. To tackle these challenges, it is essential to create health insurance solutions specifically designed for the missing middle while establishing a dedicated health sector regulator to ensure a balanced approach that serves consumers, providers, and insurers alike.

On the motor insurance front, the implementation of a multi-level compliance framework, supported by technological integration such as FASTag, is necessary to enforce mandatory coverage effectively. Addressing these gaps is not only vital for regulatory compliance but also for fostering greater financial security and resilience across India's population.

India's Financial Evolution

Brokerage Trends, Fintech Advancements,
and Private Equity Transformation



FROM GROWTH TO CONSOLIDATION

The Indian Brokerage Evolution

In India, alongside established exchanges like the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), prominent online brokerage platforms such as Groww, Zerodha, Angel Broking, Upstox, and ICICI Direct lead the market. These brokers offer varying fee structures for stocks, ETF, and options trading, earning margins based on the services provided.

TOP PLAYERS IN THE BROKING INDUSTRY

NAME	MARKET SHARE
Groww	22.4%
Zerodha	21.9%
Angel One	16.4%
Upstox	7.4%
ICICI Direct	6.5%
HDFC Securities	3.4%
Share Khan	2.6%
Paytm Money	2.4%
IIFL Securities	1.4%
Aditya Birla Capital	1.2%



The Indian Security Brokerage Market, valued at USD 3.94 billion in 2024, is projected to grow at a CAGR of 7.89%, reaching USD 5.75 billion by 2029.

Characterized by a vast network of intermediaries, including 1,277 BSE-registered brokers, the industry sees nearly 50% of its turnover driven by the top 10 players, accounting for approximately 79% of active clients. Established brokerage firms with robust digital platforms have consistently demonstrated strong growth in market share.

As regulatory demands and associated costs rise, larger brokerages are positioned to capture an increasing market share, while smaller intermediaries are expected to align with more established players to sustain operations. The elevated compliance burden not only intensifies the consolidation trend but also underscores the necessity for streamlined regulatory processes across the broader financial ecosystem.

For instance, to address the complexities faced by listed entities

reporting to multiple exchanges under the SEBI Listing Regulations, there is a case for establishing a common disclosure platform. Such a platform would enable listed entities to submit their disclosures and reports through a single filing, eliminating the need for duplicative submissions to multiple exchanges. This approach could significantly reduce administrative overhead and enhance operational efficiency, aligning with the broader industry's efforts to adapt to a more regulated environment.



India's Fintech Innovating Through Regulatory and Market Shifts



India's fintech ecosystem has emerged as the third-largest globally, demonstrating remarkable momentum in recent years. Over the past four years, the ecosystem has seen a threefold increase in the number of Unicorns and Soonicorns, alongside a fourfold rise in Minicorns. This growth is further underscored by the maturity of the sector, with over 15 fintech companies now valued at \$500M or more, a significant leap from just 13 in 2020.

Currently, India finds itself in the "middle phase" of its fintech growth journey—a critical inflection point that offers immense opportunities while presenting complex challenges. To fully realize the sector's potential, it is imperative to address its evolving strategic needs and outline actionable initiatives that fintech companies can leverage to accelerate growth while

mitigating emerging risks.

Although India has fewer fintech companies than established markets like the USA and the UK, its growth rate of 12% between 2019 and 2024 positions it as one of the fastest-growing fintech hubs globally. This rapid expansion is fueled by a unique combination of widespread digital adoption, government-backed initiatives like UPI, and the vast untapped potential of its domestic market. As the sector continues to evolve, India's fintech landscape is set to play a transformative role in shaping the global financial ecosystem.

		# Fintechs As of Jul'24	Growth in # Fintechs (2019-2024')	Funding (\$) (Jun'19 - Jun'24)	# Deals (Jun'19 - Jun'24)	# Unicorns as of Jun '24
	USA	39,065	10%	218 Bn	7,266	131
	UK	14,576	10%	71 Bn	2,339	28
	India	12,370	12%	26 Bn	2,479	24
	Canada	4,535	10%	11 Bn	621	7
	Australia	4,082	6%	9 Bn	372	3
	China	4,010	5%	13 Bn	520	22

Source: BCG

The Evolving Technology Landscape in Financial Services

Banking

The majority of banks are poised to either upgrade or replace their Core Banking Systems (CBS), with many adopting dual-core architectures. Additionally, new banking license holders and cooperative banks, which remain relatively untapped, are driving demand for agile and scalable CBS solutions. This trend is fostering the rise of new entrants in the CBS market, bringing innovation and competition into the fold.

Payments

The payments landscape is shifting toward agile and modular solutions. The demand for Payments-as-a-Service (PaaS) platforms is growing, as they enable seamless transaction orchestration across multiple bank payment infrastructures. Legacy payment switch platforms are increasingly under pressure, facing intense competition from new-age universal payment switch providers that offer superior flexibility and scalability.

Enterprise WealthTech

The wealth management space is being transformed by enterprise solutions that leverage enhanced data availability to optimize investment decisions and portfolio management. Wealth-as-a-Service (WaaS) platforms are gaining traction, particularly as embedded wealth players continue to diversify into new asset classes, creating opportunities for broader market participation.

Lending

The lending industry is undergoing rapid digitization across all product categories, including secured lending. Embedded finance is fueling the growth of Lending-as-a-Service (LaaS) platforms, while Loan Origination Systems (LOS) and Loan Management Systems (LMS) are increasingly being decoupled from CBS frameworks, emerging as standalone, independent solutions tailored to specific lending needs.

RegTech

Rising regulatory oversight, exemplified by frameworks such as the DPDP regulation and anticipated licensing norms for fintechs, is driving significant investments in RegTech. Areas such as KYC, AML, and fraud management remain at the forefront of this transformation, as financial institutions prioritize compliance and risk mitigation.

Enterprise InsurTech

The Indian government's ambitious goal of achieving universal insurance coverage by 2047 is a key catalyst for the growth of the Enterprise InsurTech sector. Innovative Insurance-as-a-Service (IaaS) players offering plug-and-play technology stacks are gaining momentum, enabling insurers to expand their reach and enhance operational efficiency.



Shaping a Resilient Financial Ecosystem

The Reserve Bank of India has stepped up its oversight in recent years, with compliance violations seeing a dramatic increase in penalties. By FY24, regulatory actions peaked at 281 cases, a sharp rise from just 52 instances in FY20. The cumulative fine value also swelled to ₹86 crore, highlighting the regulator's intent to tighten governance. The fintech sector has particularly come under the spotlight, contributing ₹11 crore in fines over three years.

Why Firms Fall Short on Compliance

The root causes of compliance failures can be traced to three critical areas:

1. Short-Termism Over Strategic Vision

- Organizations often prioritize immediate financial returns over long-term regulatory integrity.
- Compliance tends to be an afterthought, triggered only after facing regulatory scrutiny.

2. Systemic and Operational Challenges

- Legacy systems and outdated processes limit firms' ability to adapt to evolving regulations.
- Risk coverage remains piecemeal, with inconsistent and poorly standardized practices.

3. Underpowered Compliance Frameworks

- A culture of minimal compliance, driven by "tick-the-box" approaches, undermines effectiveness.
- Limited empowerment of compliance teams weakens decision-making and strategic influence.

Regulatory interventions have played a crucial role in fostering consumer trust in the financial ecosystem. The emphasis on compliance as a top priority is reshaping industry norms. Firms must now move beyond treating compliance as a regulatory obligation and embrace it as a core operational philosophy. This proactive shift is essential to building long-term resilience and avoiding regulatory arbitrage pitfalls.

The Changing Dynamics of Private Equity

The Changing Dynamics of Private Equity

Bids	Offers
964.1	964.6
964.0	964.7
960.6	965.0

25 The Indian CP 24 Story

In India, leading private equity firms like ChrysCapital, Kotak Private Equity, Sequoia Capital, and Blackstone have shaped a vibrant investment ecosystem. The private equity landscape is evolving rapidly, driven by heightened regulatory oversight, rising transparency demands, market volatility, and fierce competition—compelling funds to pursue innovative and unconventional strategies for value creation.

In the past, the private equity market in India has primarily focused on growth, non-control transactions, while buyouts represented a smaller part of the market. This was due to several factors, including the reluctance of family-owned businesses to engage with private equity firms, limited availability of managerial talent, and regulatory constraints on acquisition debt financing.

However, there has been a notable shift over the last decade, with the share of buyout transactions increasing from just 5% of investments in 2010 to 19% of investments in 2022. Control deals, involving collaboration with family-owned businesses, are gaining momentum as successful outcomes have been achieved. Furthermore, the Indian corporate ecosystem has matured, resulting in greater availability of managerial talent both domestically and globally.

Leading global and regional private equity (PE) funds are significantly increasing their capital allocation to India, marking the country as a key destination for substantial investments. This strategic shift reflects the growing confidence in India's economic potential and investment opportunities across diverse sectors.

Simultaneously, domestic PE funds have emerged as a key force within India's PE-VC ecosystem. These funds have announced their largest-ever capital raises, nearly doubling their share of PE

investments from 2019 to 2023, showcasing their expanding influence and capacity. This growth has been further bolstered by the notable expansion of India-based teams within PE funds, which have grown approximately twofold during the same period, incorporating both investment and operational expertise.

As India's PE-VC landscape matures, India-focused funds are diversifying into emerging sectors and asset classes to capture untapped opportunities. Prominent sectors drawing attention include healthcare, manufacturing, new-age technologies, and Software-as-a-Service (SaaS). Additionally, government-linked investors have notably broadened their investment focus as they scale their commitments to India.

On the asset class front, the global spotlight on private credit has extended to India, with several India-focused funds launching dedicated credit strategies. Furthermore, many funds have diversified into growth equity, infrastructure investments, and impact investing.

India's \$10.7B VC investment positions it as a global contender, blending a thriving digital economy with an innovation-driven demographic. As investor interest accelerates, India's ascent signals its potential to redefine the global startup hierarchy.



Source: Dealroom

India's Lead in Emerging Markets: With \$10.7B in VC investments, India stands as the leading emerging market for venture capital, surpassing not only its Asian peers like South Korea, Japan, and Singapore but also developed economies like Germany (\$6.6B) and France (\$6B).

Closing the Gap with the UK: While the UK is ahead at \$12.4B, India is narrowing the gap, driven by its fast-growing startup ecosystem, particularly in technology, fintech, and edutech sectors.

Startup Surge vs. Funding Scale: India's startup ecosystem is one of the largest globally, but its VC funding, at \$10.7B, is less than half of China's. This highlights room for growth in funding scale as Indian startups mature and attract larger ticket sizes.

India's Strategic Advantage: Positioned as a more cost-competitive alternative to China, India is increasingly becoming a preferred destination for global VC funds looking to diversify their portfolios amidst geopolitical shifts and China-specific challenges.

Blockchain Technology

Revolutionizing the
BFSI Industry



THE financial services sector is undergoing a paradigm shift, and at the heart of this transformation lies blockchain technology. Once associated primarily with cryptocurrencies, blockchain has now proven to be a game-changer across various industries, especially Banking, Financial Services, and Insurance (BFSI). With its potential to introduce transparency, security, and efficiency into financial processes, blockchain is revolutionizing the BFSI sector in unprecedented ways.

HOW BLOCKCHAIN WORKS ?





Enhanced Security and Fraud Prevention

- **Immutable Ledger:** Blockchain operates as an immutable ledger, meaning once data is recorded, it cannot be altered or deleted. This characteristic is crucial for the BFSI sector, where data integrity and authenticity are essential. Blockchain's decentralized nature makes it nearly impossible for a single entity to manipulate the system, drastically reducing the risk of fraud.
- **Tamper-Proof Transactions:** Financial institutions handle massive volumes of sensitive data, making them targets for cyber threats. Blockchain's cryptographic security measures protect transaction data, providing an extra layer of security that traditional financial systems often lack.

Streamlined Payments and Settlements

- **Faster Cross-Border Payments:** Traditional international payment systems can take days, even weeks, to settle. Blockchain's ability to facilitate near-instantaneous cross-border transactions eliminates unnecessary delays, reducing settlement times and costs. Ripple, for instance, uses blockchain to enable real-time international payments, significantly cutting down transaction fees and enhancing liquidity management.
- **Reduced Intermediaries:** Blockchain allows for direct transactions between parties, eliminating the need for intermediaries like clearinghouses or correspondent banks. This cuts down operational costs, reduces delays, and increases transaction transparency.

Smart Contracts and Automation

- **Self-Executing Contracts** : One of the most groundbreaking applications of blockchain in BFSI is the use of smart contracts. These are self-executing contracts where the terms of the agreement are directly written into code, enabling automatic enforcement of contractual obligations. By reducing the need for manual oversight, smart contracts increase efficiency, lower costs, and minimize the chances of human error.
- **Automated Claim Processing in Insurance** : In insurance, smart contracts can streamline the claims process by automatically validating and approving claims based on preset conditions. For example, AYA's flight-delay insurance uses Ethereum-based smart contracts to automatically pay compensation if a flight delay meets the criteria, saving both time and administrative costs.

Enhanced KYC and AML Compliance

- **Efficient Identity Verification** : Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations are necessary but time-consuming processes for financial institutions. Blockchain can streamline KYC processes by allowing different institutions to access and verify the same set of KYC data on a decentralized ledger, eliminating the need for repetitive verification and reducing onboarding time.
- **Increased Transparency and Accountability** : Blockchain's inherent transparency also makes it easier to track and trace transactions, making compliance with AML regulations simpler. By providing a permanent audit trail, blockchain enables real-time monitoring, which is invaluable for detecting suspicious activities.

Tokenization of Assets

- **Fractional Ownership of Assets** : Blockchain enables the tokenization of assets, where real-world assets like real estate, stocks, or bonds can be divided into digital tokens. These tokens represent ownership and can be traded on blockchain platforms, providing increased liquidity and opening up new investment opportunities.
- **Democratizing Investments** : Tokenization lowers entry barriers, allowing retail investors to own fractions of high-value assets and participate in markets previously reserved for institutional players. This democratization of asset ownership could lead to a more inclusive financial system.

Enhanced Transparency and Auditability

- **Single Source of Truth** : Blockchain creates a decentralized ledger where all transactions are recorded transparently. For financial institutions, this transparency builds trust with customers and regulators alike, as every transaction is traceable, verifiable, and time-stamped.
- **Simplified Audits** : Blockchain's transparent and immutable nature simplifies auditing processes, reducing the risk of accounting errors and fraud. Banks and financial institutions can use blockchain to create automated audit trails, saving time and resources typically spent on compliance and regulatory reporting.



Future - Proofing the BFSI Sector

- **Decentralized Finance (DeFi):** DeFi, a blockchain-based ecosystem of financial applications, is emerging as a disruptive force in BFSI. By removing traditional intermediaries, DeFi offers customers access to decentralized lending, borrowing, and trading services, democratizing finance and challenging traditional banking models.
- **Central Bank Digital Currencies (CBDCs):** Many central banks worldwide are exploring the concept of digital currencies built on blockchain technology. CBDCs can enable faster, more secure transactions and make it easier for central banks to implement monetary policy. While CBDCs are still in experimental phases in most countries, their development signals blockchain's lasting influence on the future of money.

History of Blockchain in BFSI

The story of blockchain begins with Bitcoin in 2009 when an anonymous figure named Satoshi Nakamoto introduced it as a decentralized digital currency. Bitcoin's underlying technology, blockchain, became recognized for its ability to securely and transparently record transactions without the need for intermediaries. Soon after, blockchain applications expanded beyond cryptocurrency. In 2015, the introduction of Ethereum brought smart contracts, enabling programmable, self-executing agreements on the blockchain. This development unlocked new use cases for the BFSI sector, leading to increased adoption and experimentation. Over the last decade, financial institutions and tech companies globally have invested heavily in exploring blockchain's applications in payments, lending, identity verification, and more.

Blockchain in BFSI: Indian and Global Landscape

India's Blockchain Initiatives in BFSI

India is actively exploring blockchain in BFSI, driven by government initiatives and private sector innovation. The Reserve Bank of India (RBI) has launched trials for a Digital Rupee (CBDC) to facilitate faster, transparent transactions. India's Union Bank recently launched an industry-first blockchain-based cross-border remittance solution in partnership with Ripple. Additionally, the State Bank of India and ICICI Bank, as part of the BANKCHAIN consortium, have adopted blockchain to streamline KYC processes and enable secure data sharing across banks.

Case Study: National Payments Corporation of India (NPCI) NPCI introduced Vajra, a blockchain-based platform for payments that securely validates transactions, reducing fraud risks. It is a major step forward in India's goal to create a robust digital payment infrastructure.

Blockchain in BFSI Globally

Globally, blockchain has gained momentum across major economies, with governments and financial institutions taking strides toward blockchain adoption. The United States, Europe, and China are leading in blockchain R&D, particularly in finance. In the UAE, Emirates NBD has implemented blockchain in its cheques system to prevent fraud, while South Korea's Shinhan Bank is using blockchain to manage remittances and streamline loan applications.

Case Study: JPMorgan's Link Network JPMorgan developed Link, a blockchain-based payments network designed to streamline global payments and enable secure, real-time data exchange among banks. Link is now part of JPMorgan's larger blockchain initiative, Onyx, which has over 400 institutions on board. Link is considered one of the largest blockchain applications in BFSI, showing how banks can enhance payment efficiency and reduce operational costs.

Case Studies of Blockchain in BFSI

HSBC and ING – Trade Finance on Blockchain

HSBC and ING Bank executed a landmark live trade finance transaction on a blockchain platform. This transaction, involving a shipment of soybeans, reduced the documentation and processing time from 5-10 days to just 24 hours. The transaction's success showcased how blockchain could streamline trade finance and reduce time and costs for cross-border trades.

ICICI Bank – Cross-Border Remittance in India

ICICI Bank was among the first in India to implement blockchain for cross-border remittances. Its blockchain platform has streamlined remittance transactions, reducing time from several days to a few hours. The success of this platform led other Indian banks to consider blockchain for efficient, transparent cross-border payments.

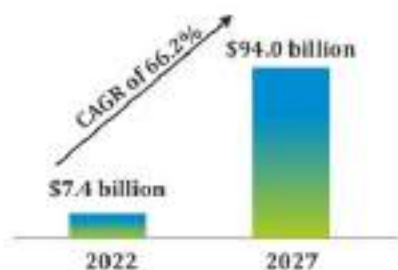
Blockchain in Figures

Blockchain's impact on global finance is supported by notable statistics:

- **Market Valuation:** The blockchain technology market in BFSI, valued at \$7.4 billion in 2022, is projected to grow at a CAGR of 66%, reaching \$94.0 billion by 2027.
- **Projected Economic Impact:** The World Economic Forum (WEF) estimates that blockchain will generate \$3 trillion in business value annually by 2030, with 10% of global GDP stored on blockchain by 2025.
- **Widespread Adoption:** Blockchain ranks among the top seven technologies with the most significant projected impact on our lives, per the WEF.

These figures highlight blockchain's growing relevance and potential as a foundational technology in BFSI.

Global Blockchain's Market from 2022 to 2027



Source : appinventiv

Digital Currency and e-Rupee

One of blockchain's most transformative applications is digital currency, with many countries now exploring Central Bank Digital Currencies (CBDCs) to modernize their financial systems. As of now, 114 countries are either piloting, developing, or have launched digital currencies. India, for instance, launched the e-Rupee as a pilot CBDC project to make digital transactions accessible and efficient for both retail and wholesale markets.

The e-Rupee, based on blockchain technology, functions similarly to physical currency and can be stored in mobile wallets. Since its introduction, e-Rupee's adoption has increased exponentially, with 16.3 crore e-Rupees in circulation by March 2023, reaching 234 crores by March 2024. The rapid uptake of e-Rupee reflects a growing trust in blockchain-based digital transactions within the Indian economy.

Banks and Blockchain

Banks have recognized blockchain's potential to increase operational efficiency, reduce fraud, and facilitate real-time transactions. After the launch of Ethereum in 2015, the BFSI industry began to explore blockchain beyond cryptocurrency, integrating it into mainstream financial services through smart contracts - self-executing contracts that eliminate third-party verification and reduce transactional friction.

In 2022, JPMorgan signed an agreement with six Indian banks - including HDFC, ICICI, Axis Bank, Yes Bank, and IndusInd Bank - to implement blockchain solutions for 24/7 services to financial institutions. This partnership highlights blockchain's capacity to streamline banking operations. State Bank of India, ICICI, and Axis Bank are further developing Distributed Ledger Technology (DLT) solutions that enhance security and transparency within the financial sector.

Blockchain in the Insurance Sector

The insurance sector is leveraging blockchain for secure data sharing, fraud prevention, and process efficiency. A study by Deloitte highlights that blockchain enhances data security in health and life insurance by ensuring that medical and personal data remains tamper-proof and accessible only to authorized parties.

In India, insurance companies partnered with Cognizant in 2018 to create a blockchain solution for cross-company data sharing, improving transparency, and reducing the risk of fraud. According to a Boston Consulting Group report, more than 60% of insurance companies are now prepared to invest in blockchain technology, and revenues related to blockchain insurance are projected to grow from \$425 million in 2022 to \$37 billion by 2030.

Blockchain in Digital Currency Globally

Blockchain's role in digital currency is expanding rapidly, with numerous countries, including China and Sweden, moving forward with CBDC initiatives. The People's Bank of China (PBOC) is leading with the digital yuan, while the European Central Bank is developing the digital euro. These initiatives demonstrate a global shift toward blockchain-backed digital currencies as central banks strive to provide secure, transparent, and efficient digital payment solutions for the future.

A hand is shown at the bottom left, reaching upwards. In the dark space above, several glowing blue cubes of various sizes are floating. Some cubes have a smiley face on them. There are also small, glowing blue particles and lines of light scattered throughout the scene, creating a futuristic, digital atmosphere.

Challenges and the Future of Blockchain in BFSI

While blockchain's benefits are clear, challenges remain. Scalability is a significant issue, as blockchain networks can face latency with large volumes of transactions. Regulatory uncertainty is another challenge, as many countries have yet to establish a comprehensive legal framework for blockchain. Additionally, interoperability between different blockchain platforms and legacy systems is still under development, slowing the adoption process in established institutions.

However, the future looks promising as advancements in blockchain scalability and regulatory frameworks continue. Emerging trends like Decentralized Finance (DeFi) and tokenization of assets are creating new opportunities for banks, wealth managers, and insurance firms to provide more accessible, efficient, and secure financial services.

Looking Ahead

Blockchain technology has ushered in a new era for the BFSI industry by enhancing security, reducing costs, and enabling seamless cross-border transactions. With applications ranging from payments to trade finance and asset tokenization, blockchain has the potential to redefine BFSI's operational and business models. India's proactive approach toward blockchain, coupled with successful global case studies, signals a promising future for blockchain in finance. As regulatory landscapes mature and interoperability challenges are addressed, blockchain is poised to become the foundation for a more resilient, transparent, and inclusive global financial ecosystem.

BANKING SECTOR

Public Sector Banks

12

Private Sector Banks

21

Small Finance Banks

11

Payments Banks

6

Foreign Banks

44

Regional Rural Banks

43



Source: Monitor Intelligence, TechSci Research

INSURANCE

Expected Insurance Market
Size by 2026

US\$ 222 billion

Projected Life Insurance
Market Growth (2024-2030)

7.8% CAGR

Expected Health Insurance
Coverage Growth (through 2030)

10% CAGR

Projected Share of Digital
Insurance Platforms by 2030

30%

Private Life Insurers' Anticipated
Market Share by 2030

40%

Estimated Life Insurance Density
(Premium per Capita) by 2030
(from USD 78 in 2024)

USD 110



(Source: Skyquest, IIFAI, Global Market Insights Inc, Business Standard)

PAYMENTS BANK

Projected Payments
Bank Industry Size

\$4.9 trillion

Expected Transaction Volume

434 billion

Anticipated Revenue Growth

11%

Expected Revenue

\$70 billion

Projected Credit Card
Transaction Value

\$563 billion

Estimated Credit Card
Transactions

6 billion



Source: ET; Projections up to 2028

ACCOUNT AGGREGATORS

Surpassed in the
AA Ecosystem

100 million+

Indians in the AA System

80–90 million

Increase in Consents
Processed by AA

1059%

Loans Disbursed via AA
by December 2023

120–140 billion

Loans Directed to MSMEs

40%

Source: Sahamati

MUTUAL FUND

Average Assets Under Management (AAUM) for October 2024 **₹68.50 Trillion**

Assets Under Management (AUM) as of October 31, 2024 **₹67.26 Trillion**

AUM Growth from ₹10.96 Trillion in 2014 to ₹67.26 Trillion in 2024 **6 - fold**

AUM Growth from ₹26.33 Trillion in 2019 to ₹67.26 Trillion in 2024 **2-fold**

Total Folios as of October 31, 2024 **21.65 crore**

Retail-Focused Folios (Equity, Hybrid, and Solution-Oriented Schemes) **17.24 crore**



Source: AMFI

INSURTECH MARKET

InsurTech Market
Size in 2023

\$20,667 million

Estimated Market Size
by 2033

\$20,667.5 million

Projected InsurTech Sales
Growth (2023-2033)

26.1% CAGR

Expected Indian InsurTech
Market Size by 2030

\$307 billion

Estimated Annual Growth
Rate for Indian InsurTech Market

17%

Insurance Executives Preparing
to Adopt AI

77%



PAYMENT GATEWAY

15.3% CAGR

\$2.66 billion

39.4%

80%

₹162 crore

₹14,726 crore



Source: PwC, Cowipost, Mordor Intelligence, Markets and Markets

WEALTH MANAGEMENT

Expected AUM for Indian
Wealth Management by 2028-29 **\$1.8 trillion**

Projected Growth of Indian Wealth
Management Sector (Next 5 Years) **12-15% CAGR**

Expected Wealthtech Market Size
by FY25 (from \$20 billion in FY20) **\$63 billion**

India's Savings Rate
(Higher than Global Average) **29.1%**

Expected Share of Asia-Pacific in
Global Wealth by 2030 **25%**



HOUSING FINANCE

Projected Growth of Indian Housing Finance Market (2024-2033) **24.1% CAGR**

Projected Housing Finance Market Size by 2033 **\$2,669.39 billion**

Anticipated Growth in Affordable Housing Finance (FY2024-25) **30%**

Expected Growth of HFC Sector (FY23-FY26) **13-15% CAGR**





Karan Bhagat

Founder, MD & CEO – 360 ONE

WEALTH MANAGEMENT

A transformative journey
for India's financial sector



The Playbook for the Future: The Evolving Wealth Management Landscape

India's global image has transformed dramatically in recent years. What was once perceived through an outdated lens of snake charmers and elephants has now evolved into a narrative of technological innovation, economic growth, and global leadership. This transformation is not just a change in perception; it reflects the reality of India's ascent as an economic powerhouse. Driven by reforms, regulatory advancements, and a dynamic financial landscape, the country has bathed a new class of entrepreneurs and wealth creators. As India marches confidently toward its goal of becoming a developed nation by 2047, its financial sector is poised to play a pivotal role in this journey.

With the rise in wealth creation across the country, the demand for professional, institutionalised wealth management services has surged. Gone are the days when wealth was managed informally, relying on intuition rather than strategy. Today's wealth creators seek structured, strategic, and sustainable ways to optimise and preserve their wealth for future generations. The innovations and accomplishments in wealth management represent just the beginning of a much larger, transformative journey for India's financial sector.

The Wealth Creation Wave

India's growing economic power is mirrored in the increasing affluence of its citizens. From groundbreaking entrepreneurs to industrialists, a new wave of wealth creation is sweeping across the nation. India now boasts over 300 billionaires, with wealth proliferating across various economic strata as household incomes rise. This affluence is not limited to a select few but is permeating through different segments of society.

As wealth grows, so too does the need for sophisticated financial planning. The wealth management sector in India is evolving rapidly to meet this demand, with a strong focus on the financialisation of savings, product innovation, and wealth mobility. Investors are no longer content with traditional vehicles; they are now seeking a diverse array of investment opportunities across asset classes, ranging from listed securities to private equity, infrastructure, and beyond. This transformation is supported by an enabling investment environment where innovation is taking centre stage. Today's investors enjoy unprecedented access to a suite of products that offer the flexibility needed to manage their wealth effectively.

As the nature of wealth evolves, so does the demand for more formalised and structured wealth management solutions. This represents a significant opportunity for wealth managers to align with India's growth story, creating positive change for individuals, family offices, and businesses alike. While wealth management remains, at its core, a relationship-driven business, the industry must now adapt to a more complex, fast-paced environment.





Here's a look at what the future playbook for wealth management will entail:

Holistic Personalization

The days of offering cookie-cutter solutions are long gone. As the profiles of the wealthy diversify—across age, generation, and sources of wealth—so too must the solutions that cater to them. Holistic personalisation will be critical in addressing the nuanced needs of each client. This means offering bespoke services that take into account clients' professional engagements, international interests, tax jurisdictions, and legacy planning requirements.

Successful personalisation goes beyond product recommendations. It involves providing clients with tailored insights that are consistently refined to reflect their evolving circumstances. Data, analytics, and international ecosystems will play a pivotal role in making this level of personalisation achievable.

Value-Added Solutions

Delivering value-added solutions will be the natural progression of holistic personalisation. Clients today seek more than just wealth preservation; they want access to advisory and discretionary portfolios that offer a blend of advice, interaction, and delegation. Wealth managers must implement modular architectures to meet these needs that allow clients to customise their investment experiences. Additionally, embedding oneself deeply in the client's wealth journey—offering unique access to networks and providing solutions at key junctures—will further differentiate wealth managers in this space. In a world where seamless, secure digital experiences are becoming the norm, clients expect nothing less from their wealth managers.

Agility and Resilience

The world is constantly changing, with rapid shifts in regulation, macroeconomic conditions, and technological landscapes. These changes present both risks and opportunities. Wealth managers who can adapt quickly to these shifts will not only survive but thrive in the coming decades. Agility is essential for capitalizing on emerging opportunities, while resilience ensures long-term survival in an unpredictable environment.

Wealth managers will need to find the right balance between technological adoption and the core values of personal relationships. While technology will drive much of the value proposition, understanding the unique circumstances and preferences of each client will remain central to success.



Alternatives as an Opportunity

Alternative investments represent one of the most exciting opportunities in wealth management today. Globally, the alternative asset market is projected to reach nearly USD 29 trillion by 2029, growing at an annualised rate of 9.7%. Alternatives encompass a broad range of assets, including private equity, hedge funds, real estate, and infrastructure, offering investors enhanced risk-adjusted returns and access to private markets.

In India, the rise of alternative investments is particularly noteworthy. Over the past five years, the Indian alternatives industry, including Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs), has experienced a CAGR of 26%. This growth reflects the increasing adoption of alternatives by Indian investors, as they seek diversified, high-return investment opportunities in an economy that continues to expand.

The Journey Ahead

As India cements its position as a global economic powerhouse, its entrepreneurs and industries will play a crucial role in shaping the nation's future. From personalized solutions to innovative investment vehicles, the wealth management industry is poised to be a key player in India's ongoing economic transformation.

This is the story we are proud to be part of, and it will be vividly captured in the pages ahead of *Wealth Wonders: The Indian AFSI Story*. As wealth managers, we have the privilege of guiding individuals and families through this remarkable journey, helping them build legacies that will endure for generations to come. ■ ■ ■

Extraordinary
journeys
need
extraordinary
partners.

Partnering India's achievers
for over 16 years.

wealth
360
ONE



Wealth Management
Multi-Family Office Solutions
Trust & Estate Planning
Lending Solutions





Sundararaman Ramamurthy
MD & CEO, BFSI Limited

Role of BFSI in the making of a **NEW INDIA**





The image features a hand on the right side, holding a pen and drawing the letters 'BFSI' on a glowing blue sphere. The sphere has a bright light source on its right side, creating a lens flare effect. To the left of the sphere, there are several white line-art icons: a crossed wrench and screwdriver, a classical building with columns, and a shield with a circular arrow. The background is dark blue with faint, glowing geometric patterns and lines.

BFSI

India is making rapid strides towards becoming the third largest economy in the coming years, achieving its vision of Viksit Bharat by 2047, and poised to become the world's third largest economy with a GDP of over US\$ 30 bn. By 2047, with a population stabilizing at around 1.65 crore and a working-age population of about 112 crore, India will be the largest workforce in the world.

The Banking, Financial Services, and Insurance (BFSI) sector shall play a vital role in this journey and by providing tailored financial solutions and fostering inclusive growth, as detailed below, this sector can significantly contribute to their economic well-being and the country's overall development in general and to the four key pillars: Youth (yuvak, yuva, yuvaika), women (mahilayen) and farmers (annadata) in general.

Youth Empowerment through Financial Inclusion

Developing financial products in schools and colleges will help teach young people about budgeting, saving, insurance, and investing, and create a financial sense and responsibility from a young age. Banks may offer specialized loans and mentorship programs for young entrepreneurs to encourage innovation, job creation and skill development. Development of user-friendly mobile apps and online platforms that cater to the tech-savvy youth will make banking more accessible.

Advancing Women's Economic Participation

The benefits of developing financial products focused on women are not limited to individual women, they have a profound impact on families and communities as well. Solutions that can be looked into include customized savings accounts, loans, and insurance policies designed for women, with favourable terms and lower interest rates. Microfinance and small business loans to women entrepreneurs can help them start or expand their businesses. Firms may also be incentivized to conduct workshops to empower women with knowledge about managing finances, investments, and understanding credit.





Alleviating Poverty through Accessible Financial Services

Most studies have shown that the BFSI sector plays a vital role in poverty alleviation and helps uplifting the poor. Financial assistance in the form of interest subsidy, revolving fund, crisis management funds, reduced documentation requirements to make it easier for the poor to open bank accounts under initiatives like Jan Dhan Yojana will bring in the poor under greater financial coverage. Extending small loans without collateral to help individuals to start income-generating activities and small enterprises will also lead to fairer and more affordable financial services for the poor.

Supporting Farmers for Sustainable Agriculture:

Farmers in most parts of India rely on informal lenders or antiquated information for their sustenance. Low-interest loans for purchasing seeds, equipment, and other farming necessities, with flexible repayment options aligned with crop cycles, will help break this cycle. Similarly, insurance products that protect farmers against losses due to natural disasters, pests, or market fluctuations will offer downside protection. Educating farmers on effective financial management, use of credit, and investment in sustainable farming practices are also key enablers.

Conclusion

The foundations of Viksit Bharat would be built on its empowered human capital. This will help India in creating a prosperous, inclusive and sustainable society for all of its citizens to thrive and make meaningful contributions towards its progress. At BSE, we are committed to facilitating growth and stability in the financial markets by supporting initiatives that promote transparency and inclusivity. ■ ■ ■



Vishal Kampani
Vice Chairman and MD
JM Financial Ltd

Transforming India's Capital Markets

**The Role of Investment Banking
in Economic Growth**

In post-liberalization India, investment banks have been serving as critical agents of capital formation in a capital-starved country. Investment banks influence the rate of economic growth through their impact on the productive capacity of the economy by a) providing capital through equity and debt financing, b) supporting M&A resulting in increased market consolidation, expansion and efficiency, c) offering strategic advisory services and d) innovating products and bringing in best practices. Indian markets are undergoing significant transformation in terms of democratization of accessibility of financial products and services, primarily due to digitization, regulatory initiatives,

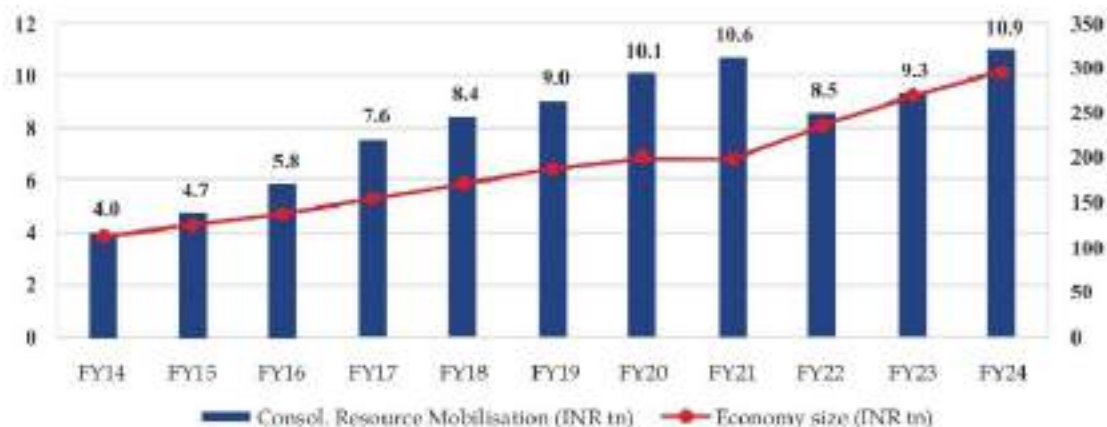
Evolution of capital markets and India's journey to a US\$ 2 trillion economy

In 2023, India overtook the UK to become the fifth largest economy in the world with a nominal GDP of US\$3.6 trillion. During the period, between April and December 2023, the Nifty 50's market capitalization surged to ~US\$4.0 trillion, making India's stock market the fifth largest in the world. These milestones are a result of steady, and more recently, of a very strong track record of capital formation that has taken place via a diverse range of instruments including equity, debt, Alternative Investment Funds (AIFs), Real Estate Investment Trusts (REITs), and Infrastructure Investment Trusts (InvITs).

The period 2023-24 witnessed the highest number of IPOs in the last decade with 272 issues raising ~INR 680 billion. Even the SMEs witnessed a surge in primary market issuances from just under 40 SME IPOs in FY14 to 196 SME issues in FY24, with the amount raised increasing from INR 4 billion to INR 61 billion respectively. And, not just public markets, preferential allotments and private placements too, have witnessed a record number of issues in FY24 at 689 and 61, respectively.

The capital thus raised has been mobilised into manufacturing and consumer sectors, owing to favourable sector tailwinds, growing consumer demand, and rising income, while other sectors such as power, renewables, healthcare, and financial services have actively tapped the capital markets as well for their growth objectives.

Overview of evolution of capital markets and economy



We see immense potential going ahead as Indian corporates expand their operations and presence to cater to not just the very large domestic market, but also tap into the huge export opportunity presented by China+1 and also Europe+1.

Domestic market capitalization witnessed its strongest yearly growth of 50% in FY24, since the post-COVID recovery in FY21 of 80% YoY. This was driven by sound economic growth, healthy corporate earnings, increasing representation of Indian equities in widely tracked global

equity indices, and significant foreign portfolio investment flows.

Furthermore, unlike earlier periods, domestic participants have experienced wealth creation in this rally. Retail direct holding in NSE listed companies stood at 9.5% (by total market capitalization) as of March 24, up 50bps from 2021 levels, with the aggregate value of their holdings growing 2x to INR 37 trillion as of March 24 over March 21. Similarly, the share of Domestic MFs, held under active mutual funds, in NSE-listed companies has also risen to 7.2%.

Evolution of BSE market capitalisation versus GDP



The outlook for the Debt Capital Markets (DCM) issuances remains positive with debt securities, which had seen minimal FPI interest since FY18, witnessing considerable inflows throughout FY24 owing to attractive yields. Furthermore, the inclusion of Indian Government securities in JP Morgan's global bond indices, along with the potential inclusion in other similar indices, further enhanced the appeal of Indian debt instruments to FPIs. Alongside, traditional instruments, Indian markets have also seen good traction for AIFs, REITs, and InvITs as vehicles of capital formation.

The next milestone of the US\$ 5 trillion economy has several enablers

As the India growth story powers on with the country on track to become the 3rd largest economy, overtaking Japan and Germany by 2027, I am reminded of an interesting observation, that the financial sector was at the cusp of transformation from Saver-Borrower Model (bank-led model) to Investor-Issuer Model. In the new intermediation-led model under the investor-issuer mechanism, investment banking will act as a strong conduit to help raise capital for issuers.

Key growth drivers for capital market activities, in effect similar to the growth drivers for economic growth given their interlinkages, are as below,

I. Structural and regulatory changes

The capital markets have benefitted from various SEBI reforms implemented recently aimed at improving transparency, protecting investors, and enhancing market efficiency. Moreover, initiatives like the GST, Insolvency and Bankruptcy Code (IBC), and Real Estate Regulatory Authority (RERA) have contributed to higher formalization, the development of a more organized market, thus allowing small and mid-sized companies to approach formal and capital markets for their funding needs.

II. Increasing Share of Non-Institutional and Retail Investors to drive growth for the industry and wealth creation for the Investors

As I discussed at CII's Financing Summit 3.0, India is fast transforming from a country of "savers" to a country of "investors". This shift has been aided by higher liquidity, digitization, and better returns on capital market investments versus traditional bank products. Moreover, it is not just retail, but even the domestic institutional flows into the primary market have far surpassed levels seen in the last three decades of investment banking in India. Today, every IPO or market transaction that JM Financial does is led by domestic investors, whether there are mutual funds, family offices, or insurance companies. This was not the case even 5 years ago!

III. Stronger corporate balance sheets

As I have pointed out in earlier interactions, the corporate sector/industry has witnessed brownfield capex in the form of about INR 6 lakh crores worth of NCLT/IBC resolutions,

which is very efficient capex in my view, as the banking system got liquidity, with non-performing assets taken over by better managements. As a result, India, with its huge demand and export potential, is yet to witness greenfield capex of almost 2x this magnitude which will drive demand for capital raisings and also M&A as stronger, cash-rich, capital-rich players aim for higher market share and larger scale.

IV. Easier exits will attract more global funds to Indian markets, especially PEs

India is witnessing an emergence of private equity investments. In fact, in many of the cases, in terms of capex and investment, private equity is leading the charge over corporations, and this is the new form of global capital that India has been able to attract. After hitting a recent peak of ~2,200 PE deals in 2021, India continues to play an increasingly significant role in Asia-Pacific PE-VC activity, accounting for ~20% of all PE-VC investments in 2023, up from ~15% in 2018. Moreover, the robust equity market has allowed PE players to make an exit from their investments.

As we have seen globally, investment banks have played a defining role in capital mobilization leading to economic growth and wealth creation in developed countries. In India, with the transformation of capital markets, be it with higher domestic participation, wider sectoral breadth, availability of diverse instruments, and the influx of specialised global investors, I believe fiduciary responsibility, especially of investment bankers such as ourselves, has become extremely crucial. Investment bankers with their relationships, agility and innovation are poised to usher in a golden era of intermediation, and with time, emerge as the catalysts to the realisation of the "Viksit Bharat 2047" vision. ■ ■ ■



Navneet Munot

MD & CEO, HDFC AMC Limited

HDFC AMC

On a mission to be the
wealth Creator for
every Indian





Mutual funds in India have emerged as a powerful force, enabling millions of Indians to take control of their financial futures. Mutual funds have become a trusted tool for wealth creation, offering opportunities for individuals from all walks of life to build a secure financial foundation. Whether it's saving for a home, planning for a child's education, or preparing for retirement, mutual funds have opened the doors to financial freedom for crores of Indians.

As part of the trusted HDFC Group, our decades long journey is rooted in a **Pedigree** of trust, long-term value, and ethical responsibility. Everything we do is driven by a commitment to safeguarding our investors' interest with integrity and care. The HDFC name is synonymous with trust and confidence, and over the years, it has become one of India's most respected financial institutions. This strong foundation has allowed HDFC AMC to grow into a leader in the mutual fund industry, gaining the trust of millions of investors. As part of the HDFC group, we have always believed in sustainable value creation for all our stakeholders.

Our funds have a long-standing track record of wealth creation, delivering **Performance** to our investors for over 30 years, successfully navigating various market cycles with discipline and expertise. Our focus has always been on disciplined investing, supported by rigorous research. We have built a one-stop solution for investors with over 100 investment **Products** across actively managed and passive funds, and across asset classes. This variety ensures that investors can build portfolios that align with their individual needs and objectives.

Our journey would not have been possible without strong **Partnerships**. We work with over 80,000 distributors across India, reaching investors from metropolitan cities to smaller towns. Alongside this extensive physical distribution network, we have embraced digital advancements, collaborating with online **Platforms** and leveraging co-branded content to broaden our reach. The HDFC Mutual Fund app provides investors with easy access to their portfolios and allows seamless transactions from anywhere. We also empower our distributors with digital tools that help manage clients' investments, streamline digital marketing, and enhance their sales pipelines. Our efforts continue to build and leverage technology to benefit both our investors and partners, while spreading financial literacy to the masses.



Our "Physical" strategy - a blend of physical presence and digital access - ensures that, regardless of location, investing is both convenient and accessible. This is particularly important as we continue growing rapidly into Bharat and beyond the top 30 cities (B30), where we see immense potential for financial inclusion. With our easy-to-use digital platforms and continued on-ground presence, we are helping make mutual fund investments accessible to all. By embracing digital solutions and maintaining a strong local presence, we are ready to lead the charge in bringing financial inclusion to the forefront of India's growth story.

Despite the mutual fund industry reaching over 5 crore investors, there remains vast untapped potential in a population of 140 crore. To realize this opportunity, the industry has made significant strides in investor education. We have conducted thousands of awareness programs, promoting wealth creation across all segments of society. Investor education is critical to nurturing an investment culture and helping more Indians understand the benefits of systematic wealth creation.

Behind our products and platforms are the robust **Processes** that ensure the highest standards. Our risk management, compliance, and analytical capabilities allow us to make careful, informed decisions that protect our investors' wealth. Through rigorous governance and transparency, we consistently deliver results while effectively managing risk.

None of this would be possible without our biggest asset of all, our **People**. Their expertise spans from investment management to relationship management, from complex operations to cutting-edge technology. Our people are physically energized, mentally focused, and emotionally engaged, constantly pushing us forward with innovative ideas. Above all, each one of us are

driven by a deep sense of **Purpose and Passion**, our mission and vision, which are at the core of everything we do.

Our mission (Purpose) is a bold and ambitious one - to be the wealth creator for every Indian. We believe that financial empowerment should be accessible to all, and we work tirelessly to ensure that every Indian has the opportunity to grow their wealth through responsible investing. This purpose fuels everything we do, from creating new products to expanding our reach into rural and underserved markets.

We have a vision (Passion) to be the most respected asset manager in the world. This vision pushes us to innovate, improve, learn and grow. We are knowledge leaders in the industry, committed to continuously expanding our capabilities and delivering excellence in everything we do. We are deeply committed towards taking care of all our stakeholders, including investors, partners, employees, and the community at large. We are not only focused on delivering financial returns but also on ensuring that our actions contribute positively to the society we serve.

Of course, like any organization, we would have faced many challenges on the way. Market volatility, regulatory changes, and the fast-evolving needs of investors keep us on our toes. But it is in these moments that the strength of our organisation and our people truly shine. Guided by the trust of our investors, we have consistently found ways to adapt and evolve while staying true to our duty of long-term wealth creation for our investors.

As we look to the future, we remain steadfast in our commitment to harnessing these opportunities and driving financial inclusion across the country. With our strong foundation, deep expertise, and relentless focus on innovation, HDFC AMC is poised to lead this next phase of growth. We understand that the true measure of our success is not just in managing wealth, but in empowering every Indian to achieve financial independence and security. By continuing to uphold the values of trust, transparency, and long-term value, we aim to be the partner of choice for millions as they navigate their financial journeys. Together, we are not just growing wealth - we are helping individuals and families across India realize their dreams and secure brighter futures. ■ ■ ■





Swarup Anand Mohanty

Vice Chairman & CEO

Mirae Asset Investment Managers (India) Pvt. Ltd.

Smart Women Richer Futures

Why women have to take charge
of their retirement planning

David Bach, in his insightful book *"Smart Women Retire Rich,"* emphasizes the importance of women taking control of their finances. He outlines vital rules for goal-based investing, an approach that adds meaning and purpose to financial planning. Despite their pivotal role in our economy and society, women often find themselves overlooked in financial planning, particularly when it comes to retirement. As the panorama of personal finance continues to evolve, it is essential to recognize the need for retirement planning and the unique challenges faced by women.

The Need for Retirement Planning

Retirement is not just a milestone; it's a phase of life that requires careful financial preparation. With rising living costs, increasing medical expenses, and longer life expectancies, having a solid retirement plan is more necessary than ever. According to financial experts, saving for retirement is nearly impossible without investing. Merely relying on savings is no longer sufficient to maintain a comfortable lifestyle in retirement. A well-thought-out investment strategy can help individuals accumulate wealth over time, allowing them to enjoy their golden years without financial strain.

How Indians Lag in Retirement Planning

Despite the clear need for retirement planning, many Indians remain ill-prepared. A recent survey conducted in 2024¹ (Source: Max Life Insurance's India Retirement Index Study 4.0) indicated that 31% of urban Indians are unsure about how much they will need to maintain their lifestyle post-retirement, showcasing a lack of clarity that poses a substantial risk. Encouragingly, women are increasingly taking charge, with 68% of working women now investing for retirement, marking a notable rise. That said, keep in mind only 36% of women population are part of labour force² (Source: Ministry of Statistics & Programme Implementation) and share of working woman in the formal sector is dismal at best.

Additionally, the rising costs of living, inflation, and healthcare further aggravate this issue, leaving individuals vulnerable in their later years. Without proactive planning, many risk facing financial insecurity during retirement.

Women and Financial Planning

When it comes to family financial planning, women often find themselves as an afterthought. The traditional view that men handle investments perpetuates a cycle where women's financial knowledge and independence are stifled. As a result, many women may find themselves without the skills or confidence to make informed investment choices. The more we can empower women, the more we can empower our communities -- this sentiment highlights the importance of integrating women into the financial planning process, not just as beneficiaries but as active decision-makers.



The Importance of Getting Women to Invest

Empowering women to take charge of their investments is essential for several reasons. First, they are generally expected to live longer than men, making it a 'top priority' for them to have their own retirement savings. According to the World Health Organization, women in India have a life expectancy of approximately 69 years, compared to 66 years for men¹. (Source: World Health Organization). This longer lifespan necessitates a more robust financial plan to ensure comfort and security in later years.

Moreover, investing can help bridge the gender wage gap prevalent in many industries. Despite progress, women often earn less than their male counterparts, leading to significant disparities in lifetime earnings. By investing, women can create a financial cushion that supports not only their needs but also those of their families.

Finally, investing enables women to overcome several unique challenges that they face, for example taking career break for family responsibilities, which can impede their long-term financial growth. At such times, their investments come in handy to deal with reduced family income.

The Bottom Line

The road to financial independence and security for women is fraught with obstacles, yet it is navigable with the right mindset and tools. Retirement planning is not just a personal concern; it's a societal imperative. By actively involving women in financial decision-making and promoting investment literacy, we can empower them to secure their futures and contribute to the financial well-being of their families. As we look ahead to 2024 year-end and beyond, let us remember that true progress lies in recognizing and addressing the overlooked aspects of financial planning, particularly for women. Investing is not merely an option—it is a necessity for building a financially stable future for all!





Alok Rungta

MD & CEO

Future Generali India Life Insurance Co. Ltd.

Reimagining Life Insurance

for the New Age

Innovation, Inclusion and Impact



The life insurance sector in India is experiencing a transformative evolution. This shift is not only about adapting to changing market conditions from being dominated by a single player, to becoming a sector comprising of more than twenty players, but also about addressing the evolving needs of diverse populations and creating value that extends beyond financial protection.

While life insurance has always been crucial for financial protection, both customers and insurers face challenges that can make the experience frustrating. Customers often struggle with complex policy terms, lengthy claims processes, and a lack of tailored solutions to meet their specific needs. On the other hand, insurers face mounting pressure to keep pace with rapidly evolving customer expectations, demanding faster, more affordable solutions, while also addressing the growing need for transparency, social responsibility, and the integration of new technologies. These challenges highlight the urgent need for innovation and a customer-first approach in the industry.

The Big Potential of Data Explosion

One of the most significant changes in the life insurance sector is the role of technology in transforming the customer experience. Artificial intelligence, data analytics, and digital platforms have revolutionized traditional processes, enabling insurers to deliver hyper-personalized experiences that were once unimaginable.

In the coming years, the rapid growth of data from connected devices will result in an avalanche of new information. Leveraged effectively, this data can drive significant advancements in the insurance industry, including:

- Automated underwriting using algorithms will provide personalized policyholder quotes.
- Omnichannel tools will enhance communication with policyholders e.g., Insurance chatbots to educate customers, collect customer feedback, and run simple processes leading to more streamlined and efficient processes.
- Blockchain and smart contracts will automate tracking, management, and cloud storage of policies, records of physical assets.
- Digital adoption platforms will boost agent productivity and performance by providing "in-app" training or walk customers and employees through important processes and new technologies.

- Predictive analytics that analyses customer behaviour and buying patterns will simplify the processes of insurance pricing, policy optimization, risk assessment, fraud detection and even claims management.

- User-friendly policyholder portals will improve service and engagement.

The opportunities are endless and forward thinking insurance companies are already getting ready for this coming information explosion and finding ways to use it to the best possible advantage of both customer and insured. According to a survey report¹, 90% of insurance companies surveyed are planning to increase their AI investments. While 75% are focusing on AI applications for underwriting and claims management, where AI can help optimize policy pricing, reduce quote turnaround times, manage claims, and reduce the duration and cost of claims. Of course, this means additional spending on AI software and the forecast is that global AI spends will increase by 17.4% in 2024 to \$9.5 billion and reach \$15.9 billion by 2027.²

Such innovations extend beyond customer interaction, and help insurers meet the demands of a younger, tech-savvy generation who expect seamless, on-demand services.

Creating Solutions for Diverse Needs

As life insurance companies broaden their reach, inclusivity has become a core focus in both product development and service delivery. Recognizing the unique needs of diverse customer groups, insurers are now creating tailored solutions for specific demographics.

In India, regulatory efforts have actively driven greater inclusion and transparency by extending the free-look period to 30 days, allowing policy surrenders from the first year, and prioritizing transparency. These regulatory shifts have catalysed industry-wide changes, inspiring companies to develop targeted offerings for previously underserved segments such as the elderly, young professionals, and rural communities, ensuring that all customers have access to valuable, relevant coverage. This is a long-standing need as despite steady growth, India's life insurance penetration stood at just 3.2% in 2021. At least 65% of India's population reside in rural areas and currently less than 10% of people in rural India have life insurance coverage.⁹

Financial inclusivity also extends to broader access to financial education and resources. The IRDAI's "Insurance for All by 2047" mission serves as a clarion call for the industry, urging insurers to expand outreach and elevate awareness to bridge this gap. By assigning each insurer a dedicated state to expand outreach, IRDAI has further sparked a unified push toward greater financial inclusion and accessibility. For example, Future Generali has been appointed as the lead insurer in Sikkim, a region with significant untapped potential.





As insurers expand their reach into underserved regions, innovative approaches are anticipated—such as deploying micro-agents, leveraging digital platforms tailored to local needs, and adopting bancassurance and embedded insurance models—to bring coverage closer to rural and remote communities.

Streamlined direct-to-consumer (D2C) channels and financial literacy initiatives will play a pivotal role in these efforts, alongside innovative payment options, micro-insurance offerings, and partnerships with local organizations to expand life insurance access to more households.

By prioritizing inclusivity, IRDIA and the insurance industry are empowering individuals, families, and communities with essential financial protection, reinforcing the nation's economic stability and resilience.

Commitment to Social Responsibility

The insurance sector plays a critical role in sustaining and restoring a country's financial stability during uncertain times. As major contributors to capital markets, insurance companies strengthen the economy by channelling substantial investments into both debt and equity markets. As of March 2022, Indian insurers had invested over USD 700 billion, highlighting the industry's essential role in stabilizing market sentiment during crises through its significant economic contributions.*

Beyond financial transactions, in today's world, businesses are increasingly expected to play a role in addressing social issues, and the life insurance industry is no exception. For insurance companies, social responsibility means not only providing financial security but also contributing to the social and environmental well-being of the communities they serve. Corporate Social Responsibility (CSR) programs in the life insurance sector often focus on education, healthcare, disaster relief, and financial literacy, all of which can have a profound impact on communities.



Sustainability has also become a critical part of corporate strategies within life insurance companies. Recognizing the urgent need to address climate change, companies are integrating Environmental, Social, and Governance (ESG) criteria into their investment portfolios, underwriting practices, and product offerings.

A Holistic View

The life insurance industry's transformation from a traditionally conservative sector to an innovative, inclusive, and socially responsible field represents a shift towards holistic value creation. This evolution is driven by a commitment to addressing both the immediate and long-term needs of customers, employees, and society at large.

Moving forward, the integration of technology will continue to be a key factor in reshaping the industry. The ongoing investment in AI, data analytics, and digital platforms will provide insurers with deeper insights into customer needs, allowing for even more precise customization of products and services. Furthermore, as insurers continue to embrace inclusivity, they will expand their reach and impact, providing financial security to an increasingly diverse population.

The life insurance companies that succeed in this new era will be those that can balance their core



purpose—protecting people financially—with a broader commitment to positive social impact. I firmly believe that this holistic approach will elevate insurers from mere providers of protection to lifelong partners, helping shape a future that is not only secure but also full of hope.

■ ■ ■



Sharad Mathur

MD & CEO

Universal Sompo General Insurance Co. Ltd.

Revolutionising Healthcare Access

**Unravelling the 'Cashless Everywhere'
Phenomenon in Indian Healthcare**

Liberating policyholders from network limitations and
freedom to select the hospital of their choice



In the dynamic landscape of healthcare insurance, better access and improved customer experience have been the ongoing theme through the years. Tradition dictates that policies are attached to a fixed list of hospitals, controlled by a network-centric approach, thereby limiting the customer's options and curtailing the power of cashless facilities. The issue becomes more pronounced when customers try to choose a healthcare facility that is outside of the prescribed network.

Today, only 63% of patients opt for cashless claims. Reimbursement claims, long waiting periods, and financial risks are some of the reasons why customers refrain from going beyond the set boundaries. Understanding the need for a paradigm shift, the General Insurance Council (GIC), in collaboration with general and health insurance companies, launched the 'Cashless Everywhere' initiative.



How does it help?

Cashless healthcare facilities make use of latest technologies, such as mobile applications, digital wallets, and internet platforms, to optimise the lifecycle of the resources within the healthcare ecosystem and enhance the complete patient experience.

This facility also helps improve data security, aids easy billing, and encourages a patient-centric approach. Cashless services are a preferred method of payment for both consumers and organisations due to their convenience and accessibility. Patients can make payments using mobile payment applications, online gateways, or contactless payment cards, while paying for medications, diagnostics tests, or surgeries.

Another important factor to be noted is that cashless transactions help reduce administrative tasks by completely removing manual documentation, enabling quick electronic transactions and faster processing times. As these processes become digitised and streamlined, healthcare professionals can focus more on treating and curing for patients. Apart from this, faster insurance claim processing and verification processes ensure quicker pay-outs and minimise the financial load on the patients.

This pathbreaking initiative empowers patients and gives them access to more than 40,000 hospitals across India. It also benefits policyholders residing in tier 2 and 3 regions, especially those in remote parts of the country. It seems to be a win-win for all stakeholders.

What must policy holders consider?

Although everything seems to be positive with this move, there are a few things that customers need to consider when opting for the right policy. Pay attention to the maximum sum insured value of the policy. It should provide sufficient coverage for the family's healthcare needs throughout the year. Also, the waiting period for cashless health insurance claims should be shortest for quick access to healthcare facilities. It is advisable to lookout for a co-payment clause. This clause involves sharing some expenses out of your pocket while the insurance company covers the rest. Additionally, it is essential to ensure that the preferred hospital is on the list for cashless transactions.

There are some exclusions in this facility that need to be considered



as well. Certain illnesses, surgeries, or treatments might have waiting periods before coverage becomes effective. Many policies exclude coverage for congenital conditions, birth defects, HIV/AIDS-related treatments and complications. If the policy doesn't cover daycare procedures, it might not include expenses for treatments that require less than 24 hours of hospitalisation. Some policies limit the number of times you can claim for the same illness within a certain period. Wellness and lifestyle services such as gym memberships, spa treatments, weight loss programs, and lifestyle consultations are typically not covered.

The duration of the cashless claim process depends on various factors, such as the availability of the necessary documents, the case's complexity, and the processes that the insurance provider follows. There is no universally accepted timeframe for claiming health insurance. However, insurers usually advise their customers to file a claim within 30 to 60 days of hospitalisation, discharge, or post-treatment. It allows the insurance provider to check and process the claim accordingly. Reviewing the policy documents or contacting the insurance provider to confirm the specific claim filing window in a policy is critical. Adhering to the claim filing timeframe is essential to avoid any potential claim rejection or complications.

How can insurers mitigate risks?

The dependency on electronic systems increases the risk of technical issues, cyberattacks, and digital gaps. Power or internet outages might impact the quality of care and lead to potential interruptions in medical services. Having robust cybersecurity measures, user-friendly interfaces, and educating users is necessary for smooth processes. To ensure that all age demographics can access this facility, there need to be user-friendly interfaces, comprehensive support, and targeted user education to address technology disparities. To eliminate the possibility of cyberattacks, data breaches, identity theft, and unauthorised access to medical records, insurers need to be prepared with strong cyber security measures and staff training.

In conclusion, 'Cashless Everywhere' is revolutionising the industry in more ways than one and forging the way for a new era of healthcare. By embracing and adopting such initiatives, patients and healthcare providers can both look forward to a future of seamless, conveniently accessible, and exceptional healthcare services. ■ ■ ■



Shachindra Nath
Founder, Vice Chairman & MD
UCRD Capital Limited

Driving Growth and Enhancing Stability

**The Role of Diversified Shareholding in Banks &
Non-Banks Public Limited Companies in India**



The stability and growth of public limited companies which are engaged in lending activities play a crucial role in the dynamic landscape of India's economy. Banks and NBFCs are both institutions of public trust, where either they take money from a public depositor in the case of a Bank, or Public Financial Institutions in the case of NBFCs. Regulators across the globe, specially in India, have always held the view that in the case of Banks and NBFCs, there should not be one singular significant shareholder which has influence over the governance of Banking institutions. The past has often shown that monopolised shareholding leads to issues of governance.

Diversified shareholding refers to a situation where the ownership of a company's shares is spread across a wide range of investors, including institutional investors, foreign investors, retail investors, and promoters. This contrasts with concentrated shareholding, where a small group of shareholders, often the founders or family members, hold a significant portion of the company's shares.

The Indian market has historically been characterized by concentrated shareholding, especially in family-owned businesses. However, recent trends indicate a shift towards more diversified shareholding structures. This shift is influenced by various factors, including regulatory changes, increasing foreign investments, and the growing participation of retail investors.

Benefits of Diversified Shareholding

1. Enhanced Corporate Governance : With a broader base of shareholders, companies are more likely to adhere to transparent and accountable management practices. The presence of institutional and foreign investors often brings in stricter governance norms, pushing companies towards higher standards of disclosure and accountability.

2. Mitigated Risks : The distribution of ownership among a wide array of shareholders helps mitigate risks associated with concentrated control. It also reduces the likelihood of decisions being driven by the interests of a few dominant shareholders. This diversified control can protect the company from governance-related issues and ensure that decisions are made in the best interest of all shareholders.

3. Increased Capital Access : Banks and NBFCs with diversified shareholding structures often find it easier to raise capital. A diverse investor base, including institutional and foreign investors, enhances the company's credibility and makes it more attractive to potential investors. This access to capital is crucial for maintaining growth and regulatory capital and create buffer for future shocks.

4. Market Confidence : Investors tend to have more faith in companies with a balanced shareholding structure as it signifies stability and reduces the risk of sudden changes in control. This confidence is reflected in the company's stock performance, leading to better valuations and liquidity.



The regulatory framework in India has been evolving to support diversified shareholding. The Securities and Exchange Board of India (SEBI) has introduced various measures to encourage greater transparency and accountability in publicly listed companies. Regulations pertaining to the disclosure of significant beneficial ownership, related party transactions, and mandatory corporate governance norms are steps in this direction.

Diversified shareholding is increasingly being recognized as a cornerstone for driving growth and enhancing stability in public limited companies in India. As

companies move towards more balanced ownership structures, they are better positioned to leverage the benefits of improved corporate governance, reduced risks, increased capital access, enhanced market confidence, and strategic decision-making. The evolving regulatory landscape further supports this trend, making diversified shareholding a pivotal factor in the sustainable growth of publicly listed companies in India. As the market continues to mature, embracing diversified shareholding will be key to building resilient and growth-oriented companies that contribute to the overall economic development of the country.

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Anand Rathi

Chairman, Anand Rathi Group

Wealth Management

The Underappreciated
Pillar of India's Financial Sector

Importance of Wealth Management

In the sprawling landscape of the Indian financial sector, high-profile segments like banking, insurance, and asset management dominate public and media attention. Yet, quietly flourishing within this bustling domain is the wealth management industry. Despite managing significant portions of individual and family wealth, this sector remains less discussed, operating under a shroud of relative anonymity.

Wealth management encompasses a broad and complex array of services, including financial planning, investment advice, tax planning, estate planning, and retirement planning. These firms cater to a diverse clientele, from high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) to middle-class families seeking to optimize their financial futures. The personalized nature of wealth management, tailored to individual financial goals and circumstances, sets it apart from the more transactional and standardized offerings of most other financial services.

During the last 10 years, the wealth management industry has experienced significant growth, driven by rising global wealth and increasing demand for financial advice. Technological advancements, such as robo-advisors, digital platforms, and hybrid models, are also transforming the industry, making wealth management services more accessible to a broader audience.



Global Wealth Management Industry Overview

The global wealth management industry has undergone significant transformation over the past few decades. Traditionally rooted in private banking services for HNWIs and families, the industry has expanded and evolved, incorporating technological advancements, regulatory changes, and shifting client expectations. From its early days of bespoke services offered by Swiss private banks to today's dynamic, technology-driven landscape, wealth management has become an integral part of the global financial services sector.

The industry has experienced robust growth (Figure 1), driven by several factors:

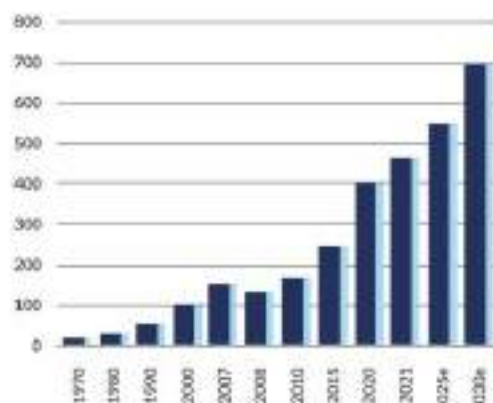
- 1. Economic Expansion :** Rapid economic growth in emerging markets, particularly in Asia, has led to significant wealth creation.
- 2. Technological Advancements :** The rise of digital platforms and robo-advisors has democratized access to wealth management services.
- 3. Regulatory Changes:** Enhanced regulatory frameworks have increased transparency and trust in wealth management services.

While mature markets like the US, Japan, and the UK continue to innovate and lead, emerging markets such as China and India are experiencing rapid growth and transformation (Figure 2).



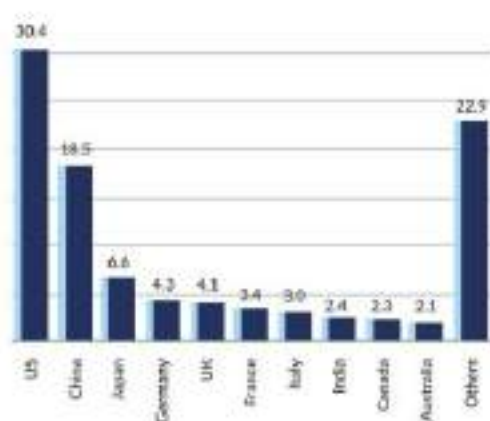
- The United States remains the largest wealth management market globally, characterized by a mature and highly competitive landscape.
- Germany's wealth management industry is marked by its strong banking tradition and conservative investment approach.
- The UK features a mix of large multinational banks, boutique advisory firms, and emerging fintech startups.
- China has seen explosive growth, driven by rapid economic expansion and increasing affluence, positioning its wealth industry second only to the US.
- India is in a nascent yet rapidly growing stage, driven by economic growth, rising income levels, and increasing financial literacy.

Figure 1: Size of global wealth industry (US\$ trillion)



Source: World Inequality Report, McKinsey & Company.

Figure 2 : Country-wise current share in global wealth industry (%)



Source: Global Wealth Report 2023 by UBS and Credit Suisse.

Evolution of Wealth Management in India

The Indian wealth management industry began to take shape in the 1990s, spurred by the liberalization of the Indian economy in 1991. This period marked the entry of foreign banks and financial institutions, which introduced advanced financial products and services. Traditional banking services started to evolve into more comprehensive wealth management solutions tailored to HNWI and UHNW.

The 2000s witnessed significant growth, driven by robust economic expansion and rising personal wealth. The Indian middle class began to grow rapidly, and with it, the demand for diverse financial services. By 2012, Indian household wealth crossed US\$1 trillion mark and the wealth management providers were serving around 42 million households across various wealth bands, from mass affluent to ultra-HNWIs. During this period, the industry saw a diversification of services, including financial planning, estate planning, tax advisory, and investment management. Major private and foreign banks were initially the key players in the wealth management business, but a new generation of Indian wealth managers also started emerging.

The last decade has been characterized by rapid technological advancements and digital transformation within the wealth management industry. Fintech companies have revolutionized the way wealth management services are delivered, making them more accessible to a broader audience. The rise of robo-advisors and digital platforms has democratized investment management, allowing even small investors to benefit from professional financial advice. This digital shift has been complemented by increased regulatory oversight from bodies like the

Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI), which have implemented measures to protect investors and ensure market transparency.

The number of HNWI and UHNW in India has been growing steadily. More than income, there is concentration of wealth in the country, underscoring the importance of personalized wealth management services. Along with this, with rising financial literacy, Indian investors are gradually shifting from traditional deposits to more diverse asset classes such as equities, bonds, and alternative investments. This change reflects a growing sophistication in investment strategies among Indian HNWI and mass affluent segments.

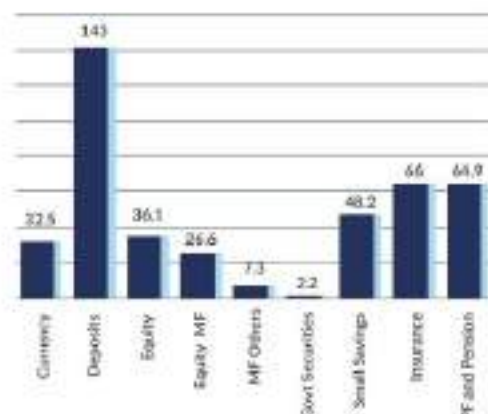
Despite this growth, the portfolios of Indian households, including UHNW and HNWI, have often been managed poorly, resulting in large allocations to low but assured return products (Figures 3 & 4). Additionally, more than 50% of overall household wealth in India is invested in real estate, mostly residential properties, and a sizable part in gold.

Several factors have contributed to ineffective wealth management in India. These include habit persistence, low financial literacy, limited access to effective information, a shortage of ethical and balanced wealth managers, regulatory restrictions, and cognitive biases, including lopsided ideas about risk and return on various asset classes. The general perception of equity assets as speculative and high-risk has played a significant role in the low exposure of households to such assets, despite much higher long-term risk-adjusted returns. Various perceptions and cultural influences have also resulted in very high allocations to physical assets like real estate and gold.



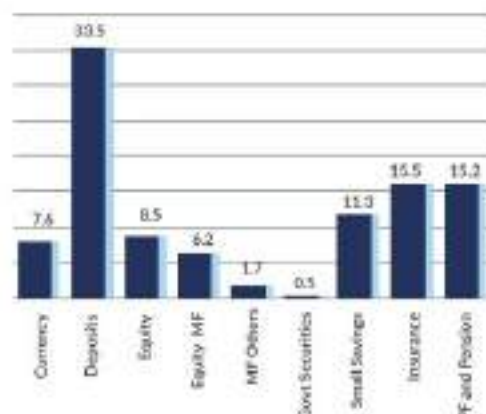


Figure3: Financial assets of Indian households, March 2024 (Rs.Lakh crore)



Source: Government of India, RBI, Anand Rathil.

Figure4: Financial assets of Indian households, March 2024 (% of total)



Source: Government of India, RBI, Anand Rathil.

In India, wealth management is often synonymous with the buying and selling of financial and other wealth products. However, effective management requires a clear strategic approach. It starts with setting clear objectives for wealth management, most importantly balancing the trade-off between risk tolerance and desired portfolio returns. Along with setting realistic return expectations, safeguarding wealth against market volatility and other financial risks is paramount, as is ensuring the seamless transfer of wealth to future generations. All this requires a strategic approach to wealth management and a long investment horizon for wealth creation.

Numerous studies have pointed out that asset allocation decisions have the largest impact—over 90%—in explaining the variability in long-term portfolio returns. Yet, individuals generally spend very little time—less than 20%—deciding this. On the contrary, most investors spend nearly 80% of their time selecting specific instruments to invest in and deciding the timing of their buying or selling decisions. These factors together account for less than 10% of long-term portfolio return variability. Interestingly, the situation has improved significantly in the last 10 years. Financial literacy has drastically improved in India, aided by a general rise in literacy rates and a growing youth population. The spread of the digital economy and information systems has enhanced the availability of information on financial products, accessibility of these products, and regulatory compliance efforts. Regulatory bodies such as the RBI, IRDA, and SEBI, along with apex bodies like AMFI, financial exchanges, asset

management companies, and brokerages, have played key roles in improving investor education. These factors have significantly increased allocation to equity-oriented assets, especially equity mutual fund schemes through SIPs. There is greater awareness among Indian households about the importance of long-term investments in equities for wealth creation.

Despite these improvements, the wealth management industry in India continues to lag behind its global peers. Compared to the global average of 25%, the share of equity-related assets in the financial portfolios of Indian households remains in the low teens. In contrast, while the value of gold is equivalent to just 2% of the financial portfolio of global households, it is over 20% for Indian households. Additionally, unlike global peers, a significant portion of the activities of Indian households in the equity market is in the derivative segment, often for speculative purposes.

India is currently the fastest-growing major economy in the world and is likely to maintain this position for a long time. There has been a sharp increase in household wealth over the past decade, and the trend is likely to continue. With rising financial literacy and a youthful population, the Indian wealth management industry is poised for exponential growth, simultaneously creating huge wealth for the households and offering immense potential for both domestic and international players.





Amisha Vora

Chairperson & MD

PL Capital - Prabhudas Lilladher Group

Transformative Journey of India's **Capital Markets**

India's capital markets have traveled an extraordinary journey, evolving from humble beginnings to a global powerhouse. Back in the 1850s, traders gathered under a banyan tree to buy and sell cotton through an outcry system – an image that seems almost mythical today. This modest beginning laid the foundation for the Bombay Stock Exchange (BSE) in 1875, now celebrated as one of the world's oldest stock exchanges. Fast forward to 2024, India's capital markets are among the world's best performing, with a market capitalization exceeding \$5 trillion. The demat account tally has also hit an all-time high – displaying the power of domestic inflows.

Over the years, from being viewed as speculative and unreliable, earning the moniker *satta bazaar*, to becoming a pivotal player in the global financial ecosystem, India's capital markets have matured significantly. Today, India is the 4th largest stock market in terms of market capitalization endranks No.1 in equity derivatives by the number of contracts traded. This transformation has been underpinned by robust growth prospects, a stable political and regulatory framework, electronic screen based trading and increased investor participation. The strong growth in equity markets has led to an improvement in India's Market Cap to GDP ratio.



Source: PL Research, NSE, BSE



Source: PL Research, Bloomberg

Prabhudas Lilladher has been privileged to be a part of this journey, contributing to the growth and modernization of India's financial markets. From a modest 100 sq-ft office in 1944, PL has grown into a pioneering force in India's financial services, mirroring the transformation of the country's capital markets.

Building the Foundations: 1950s and 1960s

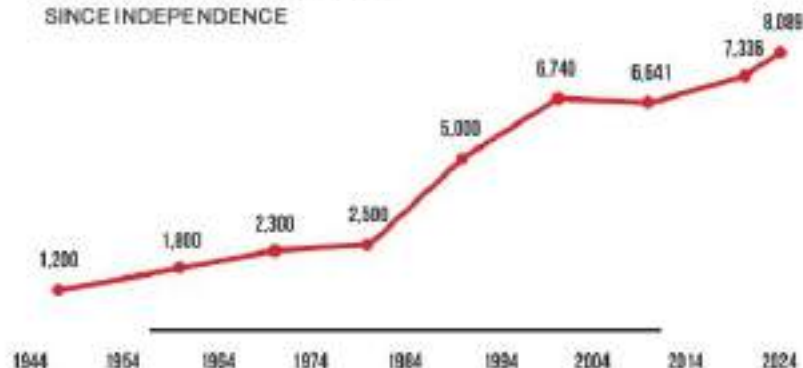
The post-independence era of the 1950s and 1960s was a formative period for India, laying the economic and industrial groundwork. It saw the GOI taking a pivotal role in establishing basic and core industries in the country. This led to the establishment of Public Sector Undertakings (PSUs) across Steel, Oil and Gas, Power, Shipping etc., under the motto of self-reliance. The nationalisation of banks in 1969 was a landmark event aimed at significantly broadening financial access and embedding banking into the everyday lives of Indians.

During this period, Prabhudas Lilladher pioneered technological advancements by becoming the first broker to install a Telex Machine. This innovation revolutionized communication between Bombay and Kolkata, ensuring real-time connectivity and providing clients with competitive market rates beyond regular trading hours. Although the markets were still in their nascent stage, significant transformations were on the horizon.

The Transformative Push: 1970s to 1990s

The late 1970s marked the beginning of a more structured and participative equity culture in India. Two pivotal developments during this era fundamentally reshaped the capital markets. The first was the Foreign Exchange Regulation Act (FERA), which compelled multinational corporations like Colgate, Unilever, Cadbury's, Igersoll Rand, KSB, and Nestle to list on Indian stock exchanges. This led to a sharp rise in the number of listed companies.

NUMBER OF LISTED COMPANIES
SINCE INDEPENDENCE



Source: PL Research, Bloomberg

The second transformative event was the IPO of Reliance Industries in 1977. Dhirubhai Ambani's vision and charisma transformed the Reliance IPO into a mass movement, instilling confidence in retail investors. It encouraged higher public participation in the equity markets, a trend that only grew in the coming decades.

A few years later, the launch of Sensex by BSE in 1986 was yet another significant milestone, providing a benchmark index for the Indian stock market. Despite setbacks such as the severe drought in 1987 and the 1991 forex crisis, India was on the path of major economic reforms, setting the stage for the next phase of growth.

Liberalization and Market Evolution: 1991 Onwards

The economic liberalization of 1991 was a watershed moment for India, ushering in an era of growth and opportunity by dismantling protectionist policies. Close on its heels, The Securities and Exchange Board of India (SEBI) acquired statutory status in 1992. The SEBI was instrumental in enhancing market transparency and protecting investors, laying a solid foundation for a more robust regulatory framework.

This period also witnessed the diversification of financial instruments. The monopoly of UTI ended as more players led by public sector banks launched mutual funds, offering investors a variety of options to invest. By the mid-1990s, the IT boom, led by trailblazers like Infosys, helped investors experience the power of capital markets in converting savings into wealth.

Around the same time, the establishment of the National Stock Exchange (NSE) and launch of Nifty50 index in 1995 marked the start of a new era in the markets. It led to the commencement of electronic or screen-based trading and a shift from physical to dematerialized shares. This not only enhanced market efficiency but also enabled higher retail participation.



Broadening Horizons: 2000s and Beyond

The early 2000s posed significant challenges, including the dot-com bust and the global economic downturn following the 9/11 attacks. Yet, by 2003, India was on a path of robust economic recovery, buoyed by global growth and a strong domestic focus on infrastructure development. This period from 2004 to 2007 saw a bull run in India's capital markets, with the Sensex achieving significant milestones of 10,000 and subsequently 20,000 points.

Rise of Sensex and Nifty Over the Decades (Since 2000)



Source: PL Research, Bloomberg

In 2007, India's GDP crossed the \$1 trillion mark, underlining the country's growing economic stature. However, the 2008 global financial crisis, triggered by the collapse of Lehman Brothers, was a major setback. Indian markets, supported by quantitative easing and strong regulatory measures, showcased remarkable resilience, recovering steadily from the crisis.

During this time, private insurance and mutual funds became mainstream, contributing to a diversified financial landscape. The rise in systematic investment plans (SIPs) played a critical role in channeling retail savings into equity markets. Parallelly, PL continued to expand its offerings, diversifying into wealth management, asset management, and corporate advisory to provide comprehensive financial solutions.

Markets boom post 2014: Innovation, Inclusion, and Growth

Between 2011 to 2014, India witnessed tepid growth and high bank NPA's which resulted in muted sentiments. But post 2014, big reforms like GST, SRFASI, relaxation in Insurance, Jan Dhan accounts and other financial sector laws turned the tide.

The financialization of savings gained momentum, with a shift in preferences from traditional assets like gold and real estate to equities, mutual funds, and insurance. Digital platforms revolutionized market access, bringing a new generation of retail investors into the fold.

In 2020, the COVID-19 pandemic tested global markets, but again, India's financial ecosystem displayed remarkable resilience. Factors including, favourable demographics, strong government and bank balance sheet, and robust domestic consumption have facilitated a swift recovery, despite India avoiding a big cash infusion program during pandemic. Government initiatives such as "Make in India" and significant infrastructure investments (2.3% CAGR in Govt. capex post pandemic) further solidified the country's economic foundation.

India's capital markets have changed with times and offer one of the most broad-based coverage across industries. Overtime sectors like IT services, Banks and Insurance, Hospitals and Diagnostics, Travel, Retail, Durables and EMS, New Energy, Ecom and Defence have started occupying an important role in markets. Sensex composition has shifted in favour of BFSI, Energy and IT Services from Pharma, FMCG, Metals and Engineering.

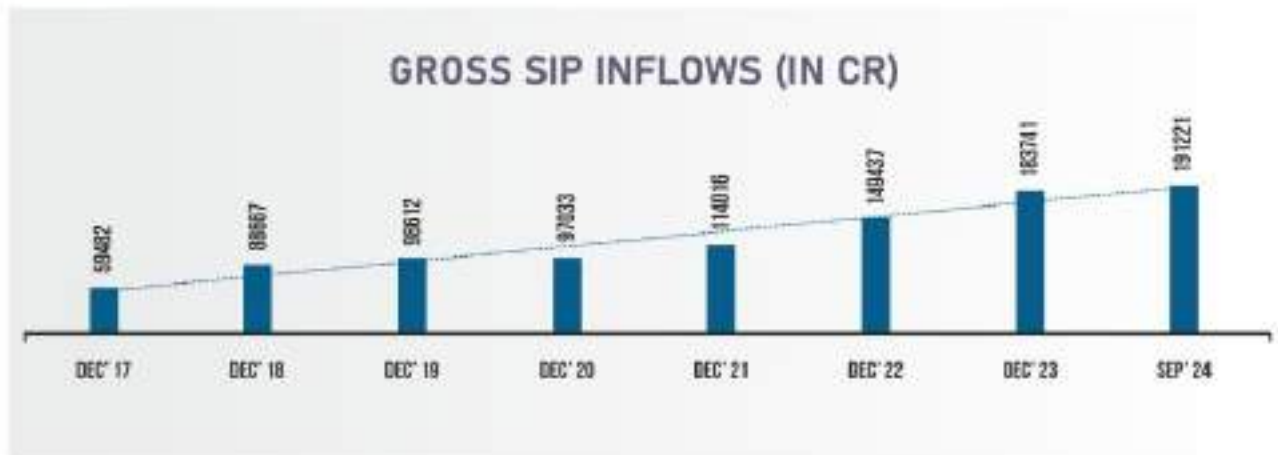
Sensex Sectoral Weightage: 1990 versus 2024

	1990		2024
Metals & Cement	28.8%	Bank	24.2%
Textile	22.6%	IT	17.9%
Consumer	15.4%	Oil & Gas	11.3%
Automobile	12.9%	FMCG	9.0%
Engineering	8.4%	Automobile & Ancillaries	6.5%
Chemicals	5.8%	Telecom	6.1%
Shipping	2.5%	Finance	4.5%
Paper	1.6%	Power	4.4%
Pharmaceuticals	1.4%	Infrastructure	3.1%
Hotels & Restaurants	1.0%	Iron & Steel	2.8%
Power	0.7%	Healthcare	2.8%
		Construction Materials	2.1%
		Logistics	1.8%
		Diamond & Jewellery	1.8%
		Chemicals	1.8%

Source: PL Research, Bloomberg

India's asset management industry, including Mutual Funds (MF), Portfolio Management Services (PMS), and Alternative Investment Funds (AIF), has grown at an impressive 19% over the past decade. Within the MF industry, increased participation from Tier-2 and Tier-3 cities, alongside the rise of SIPs, has contributed to rapid penetration and growth.

Mutual Fund AUM & SIPs Growth



Source: AMFI, PL Research



As India stands on the cusp of becoming a \$5 trillion economy, the potential for its capital markets to drive national prosperity has never been greater. Household savings are set to flow increasingly into equities and mutual funds, with the share of cash and deposits projected to drop from 52% in FY24 to 40-41% by FY33, while equities and MFs are expected to grow from 16% to 23-25% of household financial assets.

India's capital markets today are not only a reflection of our nation's economic health but a powerful engine for growth. A young, tech-savvy population, supportive policy environment, and rising middle

class combine to create a market with immense, unprecedented potential.

Guided by our founding principles of trust, transparency, and integrity and an unwavering focus on value-addition, FL remains committed to being at the forefront of this journey. Our focus on blending research expertise with innovative, tech-driven solutions empowers clients to convert savings into sustainable wealth. This journey is only beginning, as India's capital markets continue to pave a path of growth, resilience, and opportunity for generations to come.

■■■





Jyoti Prakash Gadia

Managing Director, Resurgent India Ltd

Shaping Financial Horizons

A Strategic Vision for India's Growth

The aspirations of a rapidly growing economy demand a financial ecosystem that transcends borders, scales operations, and redefines how we approach financial inclusion, governance, and innovation. India's BFSI sector must transform into a globally competitive powerhouse, adept at supporting Indian enterprises both domestically and internationally while maintaining a steadfast commitment to resilience and ethical integrity.

India's economy remains firmly bank-driven, with the banking system serving as the primary conduit for savings and capital allocation. Since independence, banks have played a pivotal role in shaping the nation's economic trajectory. Today, with a total asset base of approximately \$2.5 trillion—equivalent to nearly 70% of GDP—the banking sector continues to be the cornerstone of India's economic framework.

The economic reforms of the 1990s demonstrated how driving industrial growth and intensifying competition could lay the foundation for transformation. Bold reforms unlock immense potential, but the benefits are reserved for those ready to adapt and innovate. The financial sector, too, demands a leap in scale to assert global relevance. For India to solidify its position as an economic leader, it needs much bigger banks and financial institutions on par with Goldman Sachs and Morgan Stanley.

India currently has only one bank, the State Bank of India, ranked 48th globally, among the top 100 banks worldwide. To meet our economic aspirations, the financial sector must undergo a significant infusion of growth capital. India's banking

sector, with 35 scheduled commercial banks, has only eight institutions boasting an asset base of over ₹10 lakh crore. These banks have played a critical role in driving India's economy to \$3.5 trillion. However, as the nation aims for a developed economy status, it will need a broader base of large banks to sustain its ambitions. Meeting this demand calls for strategic actions to enhance the scale and resilience of financial institutions.

One approach could involve issuing new banking licenses, which have been limited to just two instances over the past 35 years. Expanding this practice would allow more players to enter the sector, promoting competition and better serving the needs of a growing economy.

Another effective approach is to convert large NBFCs into full-fledged banks, enabling greater financial depth and wider credit access. NBFCs have played a vital role in addressing underserved markets and driving economic growth. However, their rapid expansion has introduced systemic risks, especially given the significant exposure of traditional banks to this sector. Bringing these entities under greater regulatory scrutiny through conversion into banks could reduce systemic risks while providing an avenue for growth capital and enhancing governance standards. Additionally, harmonizing and simplifying the licensing structure in the financial sector is essential. The Reserve Bank of India has issued a wide array of licenses, including those for universal banks, payment banks, small finance banks, and NBFCs, among others. Streamlining these frameworks would improve transparency and efficiency, making it easier for new entities to enter the market while fostering a more predictable regulatory environment.

2022 2023 2024

Rationalizing the banking ecosystem through these measures would strengthen India's financial system, attract more capital, and create institutions that can effectively support the country's aspirations of becoming a global economic leader.

However, structural growth alone is insufficient without reinforcing the foundational trust that drives consumer confidence. While governance has improved, lapses still occur, making it critical to address outlier practices through responsible pricing, transparent communication, and ethical behaviour. These principles must align with a broader vision for the BFSI sector - a vision that integrates scale, technology, ethics, and reform into a cohesive strategy for transformation. ■ ■ ■

**Shashvat Nakrani**

Co-founder & COO, BharatPe

The Fintech Revolution in India

Transforming Financial Services

India is undergoing a profound transformation in its financial sector, spurred by the rapid rise of Financial Technology, or FinTech companies in the country. This evolution is fundamentally altering how financial services are delivered, fostering new avenues for innovation and inclusion. In this article, I will delve deeper into the emergence of FinTech in India, the innovative solutions and disruptions introduced by FinTech startups, and challenges and opportunities for the sector.

Transforming the Digital Frontier

FinTech is at the Forefront of revolutionizing India's financial landscape, thanks to widespread penetration of the internet, favorable government initiatives around digitalization, and the increasing use and adoption of smartphones across the country. These elements have created a favorable environment for FinTech startups, enabling them to offer a diverse range of financial services, from digital payments and lending to insurance and investments to a wide range of customers, all through various online platforms.



Digital Payments

One of the most transformative aspects of FinTech in India has been the surge in the adoption and usage of digital payments. Mobile payment platforms have become an integral part of our day-to-day lives, offering users a seamless and secure method of conducting transactions. The Unified Payments Interface (UPI) has been a pivotal innovation, with about 131 billion UPI transactions recorded in FY24. Major players like BharatPe, Paytm, PhonePe, and Google Pay have harnessed UPI to make digital transactions effortless and safe for millions across the country. Interestingly, today, digital payments is no longer an urban phenomena and has reached the smaller towns and cities across the country. It is also playing a pivotal role in enabling millions to build and grow their own businesses.

Lending

Digital lending platforms are democratizing access to credit, providing individuals and small as well as emerging businesses with funds. These platforms utilize advanced algorithms and data analytics to evaluate creditworthiness and offer swift, hassle-free loans to millions of underserved and unbanked merchants and customers across India. FinTech platforms are offering microloans and small-ticket loans to individuals and micro-enterprises that traditional banking services have historically underserved. For example, BharatPe offers collateral-free loans to offline merchants based on their payment flows, empowering them to expand their businesses.

Insurance

Insurtech, or insurance technology, is transforming the insurance industry by making it more accessible and user-friendly. Digital platforms are streamlining the process of purchasing insurance, filing claims, and receiving payouts. Startups operating in this space are leading from the front and playing an important role in increasing insurance adoption (which is still in single digits) by offering innovative insurance solutions to a wide audience.

Wealth Management:

FinTech has democratized investment opportunities by providing retail investors with access to a wide array of financial products. Robo-advisors, online trading platforms, and investment apps simplify the process of investing in stocks, mutual funds, and other assets. Platforms such as Zerodha and Groww have gained significant traction, providing personalized investment advice through advanced algorithms and artificial intelligence.



Navigating Regulatory Guidelines and the need for focus on cyber security

The rapid growth of the FinTech industry in India has also led to the regulator rolling out guidelines to ensure that the money of the customers and investors is safe. In my view, if you would like to build a sustainable business, striking a balance between fostering innovation and ensuring consumer protection is crucial. Regulators are actively working to create an environment conducive to FinTech startups while safeguarding consumer interests.

Navigating the complex regulatory landscape can be challenging for FinTech startups. It is essential to strike a balance between innovation and compliance to ensure sustainable growth. Collaborative efforts between the government, regulatory bodies, and industry stakeholders are crucial to effectively mitigate these challenges.

Also, with the increase in digital transactions, the threat of cyber-attacks also rises. Ensuring the security and privacy of customer data is critical. FinTech companies must invest in robust cybersecurity measures to protect against data breaches and fraud.

The Future of FinTech: Seizing Opportunities and Addressing Challenges

The FinTech revolution in India has significantly contributed to financial inclusion, reaching a large portion of the population that was previously excluded from the formal financial system, especially in rural areas.

The future of FinTech in India is promising, driven by advancements in technologies such as blockchain, artificial intelligence, and machine learning. These technologies will enable FinTech startups to provide even more sophisticated and efficient financial solutions. The focus on financial inclusion, particularly in rural areas, presents a vast opportunity for FinTech companies to expand their reach and serve the underserved and unbanked population.

Artificial Intelligence and Machine Learning

AI and ML are set to revolutionize FinTech by enabling more precise risk assessment, personalized financial services, and ensuring an enhanced and quick customer support. These technologies will play a crucial role in upgrading the user experience and driving operational efficiency.

Blockchain

Blockchain technology has the potential to transform various aspects of financial services, from secure transactions to transparent supply chains.

Embedded Finance

Embedded finance integrates financial services into non-financial platforms, such as e-commerce websites offering instant credit or ride-sharing apps providing insurance. This trend is expected to grow, making financial services more seamless and accessible.

Sustainable Finance

As sustainability becomes a global priority, FinTech can promote green finance. Platforms facilitating investments in sustainable projects or providing loans for eco-friendly initiatives are likely to gain traction.

Collaborations and Partnerships

Collaboration between traditional financial institutions and FinTech startups will become increasingly common. Such partnerships can leverage both parties' strengths to create innovative solutions and expand their reach.

Conclusion

The FinTech revolution in India is reshaping the financial services landscape, driving financial inclusion, and fostering innovation. With a young and tech-savvy population, supportive government policies, and a vibrant startup ecosystem, India is poised to become a global leader in FinTech that leads from the front. However, addressing challenges such as cybersecurity and digital literacy is essential for sustainable growth.

At BharatPe, we are committed to leveraging technology to empower small and emerging offline businesses and drive financial inclusion across the length and breadth of the country. By embracing innovation and staying ahead of the curve, we can create a future where financial services are accessible, efficient, and inclusive for all.

The journey has just begun, and the possibilities are limitless. Let's continue to harness the power of FinTech to build a brighter and more inclusive financial future for India.

■■■■



Suyash Agrawal

Co-Founder & MD, DialESG

Ruminations on the **Future** of Finance

Charting a Sustainable and Inclusive Path





The financial world is entering an era of profound transformation, shaped by technological advances, evolving geopolitical dynamics, and the urgent need to build systems that are inclusive, sustainable, and resilient. The future of finance is no longer defined solely by profits or innovation for its own sake. Instead, it is increasingly aligned with priorities such as sustainability, responsible resource use, and equitable growth. As stakeholders in this interconnected ecosystem, it is imperative to embrace these shifts and play a role in shaping the financial landscape of tomorrow.

A Changing Global Financial Landscape

The dominance of traditional Western financial hubs such as New York, London, and Frankfurt is giving way to a new reality. The East is emerging as a formidable force, with cities like Mumbai, Singapore, Dubai, and Hong Kong rising as global financial centres. These cities not only bring wealth and capital but also reflect innovation and the dynamism of emerging markets.

Mumbai, for example, has evolved into Asia's billionaire capital, symbolising India's ascent as a powerhouse of wealth creation and technological progress. The region's rapid urbanisation and demographic growth—Asia is home to more than half the world's population—underscores the critical role these markets will play in global finance. Investors and financial institutions must adapt to new consumer bases, rules, and market dynamics as this power shift accelerates.

Simultaneously, the global energy transition is reshaping financial and geopolitical priorities. As nations pivot from fossil fuels to renewable energy, there is a broader decoupling from dominant currencies like the U.S. dollar, euro, and yen. Countries are increasingly exploring alternatives, including regional currencies and digital assets, to stabilise their economies in this new paradigm. Central banks, too, are responding to uncertainty in fiat currencies by amassing gold reserves at unprecedented rates, signalling a renewed focus on asset-backed stability.

Digital innovation is another catalyst for change. Central Bank Digital Currencies (CBDCs) are rapidly gaining traction, with nations such as China and members of the European Union launching or piloting their own digital currencies. CBDCs promise to revolutionise access to financial systems, lower transaction costs, and enhance cross-border payment efficiency. By bypassing traditional intermediaries such as SWIFT and Visa, these digital currencies are democratising finance while granting governments greater control over monetary policy.

Strategic Priorities for Capital Deployment

Energy Transition

The move towards renewable energy represents one of the greatest revolutions in human history. Technologies such as solar, wind, battery storage, and green hydrogen offer lucrative opportunities for financiers while addressing the existential threat of climate change. By investing in renewable infrastructure, the financial sector can drive both economic returns and a more sustainable future.

Inclusion and Social Development

Financial inclusion remains a critical goal. Bringing underserved communities into the fold by improving access to education, healthcare, housing, and clean water fosters stability and reduces inequality. These investments are not merely moral imperatives; they are economic necessities, creating resilient and robust economies.

Emerging Technologies

Artificial intelligence, blockchain, quantum computing, and biotechnology are revolutionising industries across the board. Early investment in these disruptive technologies offers unprecedented opportunities for financial gains while paving the way for solutions to pressing global challenges, such as healthcare and food security.

Sustainable Agriculture and Agroforestry

With the global population continuing to rise, sustainable agricultural practices are essential for food security. Precision farming, regenerative agriculture, and sustainable supply chains balance productivity with environmental stewardship. The financial sector has a significant role to play in advancing these innovations.

Affordable Housing and Healthcare

Rising urbanisation and inequality have led to housing crises in many regions, while access to basic healthcare remains a challenge. Social impact bonds and innovative public-private partnerships offer pathways to address these issues, providing measurable outcomes for investors and society alike.

Water Accessibility and Education

Water scarcity is exacerbated by climate change, making

investments in efficient water management and desalination technologies more urgent than ever. Education, meanwhile, forms the foundation for long-term societal progress. By funding infrastructure, technological platforms, and innovative learning models, financiers can nurture the next generation of leaders and innovators.

Transformative Financial Structures

To meet the scale of investments required for these priority areas, traditional financing mechanisms must be supplemented by innovative structures designed to unlock capital efficiently.

Social and Sustainability-Linked Financing

Instruments such as green bonds and sustainability-linked loans align financial returns with measurable social or environmental outcomes. These tools enable capital deployment towards initiatives that create broad societal value.

Blended Finance and Philanthropy-Backed Guarantees

Combining philanthropic and private capital reduces risk and attracts investments to high-impact sectors like housing and healthcare. These models are particularly effective in projects where societal benefits outweigh purely financial returns.

Tokenisation and Decentralised Finance (DeFi)

Tokenisation allows for fractional ownership of assets, increasing liquidity and accessibility. DeFi, meanwhile, represents a radical shift towards decentralised, borderless financial systems, potentially breaking down traditional barriers to investment.

Municipal Bonds and REITs

Municipal bonds offer local governments a mechanism to fund critical infrastructure, while Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (INVTs) provide investors with liquidity and diversification in large-scale real estate and infrastructure projects.

Special Purpose Acquisition Companies (SPACs)

SPACs have become a popular alternative to traditional IPOs, particularly for high-growth firms in emerging industries. These vehicles streamline access to public markets and offer flexibility to companies seeking capital.

The Transformative Potential of Finance

By aligning capital deployment with sustainability, inclusivity, and innovation, the financial system can deliver transformative outcomes that benefit both investors and society at large.

Resource Democratization

Decentralised technologies and inclusive financing can make critical resources—education, healthcare, and financial services—accessible to all. This democratisation fosters equitable growth and empowers marginalised communities.

Transparent and Asset-Backed Systems

A renewed focus on asset-backed value creation, such as tokenised commodities and gold reserves, promotes transparency and reduces volatility. A transparent financial system builds trust and attracts long-term capital.

Support for Innovation and Entrepreneurship

By funding entrepreneurs tackling global challenges, finance can drive technological breakthroughs in renewable energy, biotechnology, and education, creating a ripple effect of societal benefits.

Enhanced Liquidity and Broad Ownership

Instruments like REITs, tokenised assets, and municipal bonds enable wider participation in financial markets, enhancing liquidity and fostering economic stability. Common ownership in previously exclusive assets also aligns financial gains with broader societal progress.

Building the Future of Finance

The financial sector stands at a critical juncture. The opportunity to redefine its purpose—from a system focused solely on profit to one that drives inclusive, sustainable, and equitable growth—is immense. However, this transformation requires collaboration across borders, innovative thinking, and a willingness to embrace change.

The principles of inclusion, sustainability, and responsibility must underpin every decision. This is not just a moral imperative but a practical one. By aligning financial systems with these values, the sector can foster long-term prosperity, ensuring a resilient future for all.

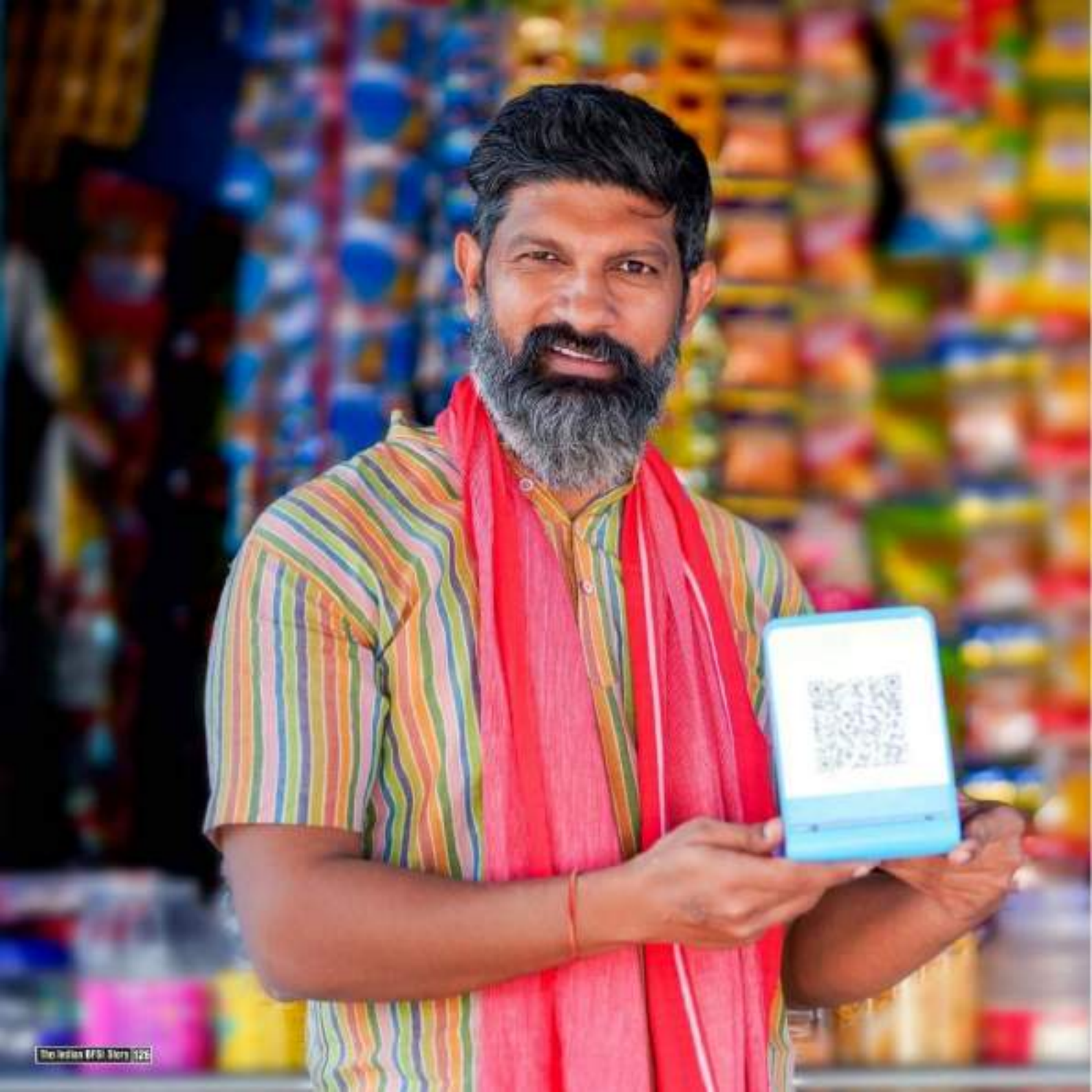
The future of finance is not merely a destination but a collective endeavour. It demands the active participation of investors, governments, corporations, and individuals. Together, we can build a system that serves not just the few but the many, embodying the promise of a more equitable and sustainable world.





NPCI

**The Catalyst of
India's Digital
Transformation**



The National Payments Corporation of India (NPCI) has emerged as a pivotal force in the transformation of India's financial landscape. Established in 2008, NPCI was conceived with the vision of creating a robust and interoperable payment system that would revolutionize the way Indians transact. Through its innovative products and services, NPCI has not only streamlined financial processes but also empowered millions of citizens, fostering financial inclusion and propelling India towards a cashless society.

A Glimpse into NPCI's Journey

NPCI's journey began with the launch of the National Financial Switch (NFS), a centralized payment switching network that enabled seamless interoperability between banks and other financial institutions. This paved the way for the widespread adoption of debit cards and ATM services across the country. Recognizing the potential of mobile technology, NPCI introduced the Immediate Payment Service (IMPS), a real-time fund transfer system that allowed for instant money transfers between bank accounts.

The Real Game-Changer: Unified Payments Interface (UPI)

However, it was the launch of the Unified Payments Interface (UPI) in 2016 that truly catapulted NPCI into the limelight. UPI revolutionized the way Indians make payments, offering a simple and secure platform for peer-to-peer and person-to-merchant transactions. With UPI, users can transfer funds instantly using just their mobile number and Virtual Payment Address (VPA). The convenience and accessibility of UPI have led to its rapid adoption, making it one of the most popular digital payment systems in the world.

Transforming the Financial Landscape

NPCI's initiatives have had a profound impact on India's financial sector, bringing about significant changes:

- 1. Financial Inclusion:** UPI and other NPCI products have played a crucial role in promoting financial inclusion by enabling even the unbanked and underbanked population to access financial services. The ease of use and low cost of these services have empowered millions of Indians, particularly in rural areas, to participate in the formal financial system.
- 2. Digital Payments Revolution:** NPCI has been at the forefront of India's digital payments revolution, driving a shift away from cash-based transactions. The convenience and security of digital payments offered by NPCI's products have encouraged businesses and consumers to adopt digital payment methods, leading to a more efficient and transparent financial ecosystem.
- 3. Innovation and Technological Advancement:** NPCI has consistently embraced innovation and technology to stay ahead of the curve. The development of new features and functionalities for UPI, such as UPI AutoPay and UPI 2.0, has further enhanced the user experience and expanded the scope of digital payments.
- 4. Boost to the Economy:** The widespread adoption of digital payments has had a positive impact on the Indian economy. It has reduced the cost of transactions, increased tax compliance, and facilitated economic growth. The ease of doing business has also been improved, attracting investments and fostering entrepreneurship.





Growth and Impact

NPCI has witnessed phenomenal growth, particularly in the adoption of UPI. Here are some key figures highlighting its impact:

- **UPI Transactions :** In FY2024, UPI transactions exceeded 100 billion, a significant milestone that underscores the rapid adoption of digital payments in India.
- **UPI Value :** The total value of UPI transactions has surged, reflecting the increasing preference for digital payments among consumers and businesses.
- **Financial Inclusion:** NPCI's products and services have played a crucial role in promoting financial inclusion, especially in rural and semi-urban areas where access to traditional banking services is limited.
- **Economic Growth:** The widespread adoption of digital payments has contributed to economic growth by reducing transaction costs, improving efficiency, and boosting financial activity.

Challenges and Future Outlook

While NPCI has achieved remarkable success, it still faces challenges such as cybersecurity threats, infrastructure limitations, and the need for continued innovation to meet evolving consumer needs. To address these challenges, NPCI is investing in robust security measures, expanding its infrastructure, and collaborating with various stakeholders to develop new and innovative payment solutions.

The future of NPCI looks promising, with a focus on expanding the reach of digital payments to even the remotest corners of India. The integration of emerging technologies such as artificial intelligence and blockchain holds the potential to further revolutionize the payment landscape. NPCI is well-positioned to lead this transformation and continue to drive India's digital journey.

In conclusion, NPCI has emerged as a catalyst for India's digital transformation, empowering millions of citizens and transforming the way we transact. Its innovative products and services have not only streamlined financial processes but also fostered financial inclusion and economic growth. As India continues to embrace digital technologies, NPCI is poised to play a pivotal role in shaping the future of the country's financial sector.



MIRAE ASSET MUTUAL FUND

A Journey of Steady Growth and Trust





Mirae Asset entered India's mutual fund industry in November 2007, just as the country's GDP hit \$1 trillion, with the Rupee valued at 39.47. While the regulatory net worth requirement to begin operations was Rs 10 crore, Mirae Asset invested Rs 200 crore, underscoring its long-term commitment. In 2014, Mirae Asset became the first asset manager in India to launch operations in GIFT City under an FMI retail license, further establishing its pioneering approach.

New managing close to Rs 2 lakh crore in AUM, Mirae Asset's journey is marked by resilience. Less than a year after commencing operations in India, the Global Financial Crisis struck, testing even the most established institutions. Lacking an Indian JV partner, Mirae Asset faced intense scrutiny and skepticism. Many anticipated an eventual exit as other foreign AMCs left India. Yet, the South Korean parent company held firm, showing unwavering support through challenging times, perhaps reminiscence of how it began its group journey on back of Asian Financial crisis in 1997. Starting as a long only equity fund to building a \$300bn group in 25 years, Mirae Asset group knows a thing or two about patience.

In 2011, Swarnip Mohanty, now Vice Chairman & CEO, joined as Head of Sales. He prioritised building strong relationships with distributors and investors. Around 2014, India's economic outlook

began to brighten, spurred by a new government and its investor-friendly policies, Mirae Asset's equity-focused strategies were performing well, attracting attention from individual mutual fund distributors, who saw the AMC's commitment to staying in India.

In late October 2016, Mirae Asset made a strategic decision that solidified investor trust: it set to limit subscriptions in one of its best performing & top line revenue scheme, the Mirae Asset Emerging Bluechip Fund (now Mirae Asset Large & Midcap Fund), allowing only systematic investments of up to Rs 25,000 monthly. This move aimed to protect existing investors from dilution amid rising valuations and proved to be a masterstroke. This decision, taken when the AMC had an overall AUM of approx. Rs 6,500 crore, was widely praised by investors and distributors alike.

Subsequent years saw Mirae Asset launch a variety of products, including hybrid funds, ELSS, and other categories. In just 8 years (i.e. since Nov 2016) and now, Mirae Asset grew by 53% CAGR vs. industry which has grown by 19%. Amid the COVID-19 pandemic, a new wave of investors entered the capital markets, prompting Mirae Asset to introduce innovative theme- and factor-based ETFs, catering to India's burgeoning investor base with over 130 million demat accounts and about 58 million mutual fund investors. It led the market with ETFs in sectors like IT, FANG+, ESG, Mid & Small-Cap, Financial Services, and Manufacturing.

This year, Mirae Asset celebrated 18 successful years in India, with AUM reaching INR 1,97,832 crore as of October 2024—a strong 37% year-over-year growth. This reflects the company's dedication to delivering consistent value and performance.

Today, Mirae Asset manages an extensive product suite of total 67 schemes: 10 equity funds, 5 hybrid funds, 9 open-ended debt funds, 25 ETFs (including silver and gold ETFs), 7 index funds, and 12 fund of funds (including 2 investing overseas) as of October 2024. This extensive portfolio serves both retail and institutional investors. In the past financial year alone, Mirae Asset added over 11 lakh new folios, growing its investor base to 87.22 lakh Indians by October 2024. Additionally, the fund house's SIP inflows, have surged to Rs.878 Crores as on Oct 2024, which reflects commitment in helping Indian investors build wealth consistently and systematically.

As Mirae Asset expanded into the Indian market, its focus on long-term growth has consistently underpinned its business strategy. While it began as an asset management company (AMC), Mirae Asset Financial Group has now broadened its scope beyond traditional asset management to become a diversified investment firm. Mirae Asset has also established Mirae Asset Global Indices as an in-house index company in India. In addition to mutual funds, the company has established a presence in broking, trading (NIFTY), private equity, real estate, and alternative products, reflecting its ambition to be a



prominent player across financial sectors. This expansion has been accompanied by a progressive institutionalization of systems and processes, positioning the group as a well-rounded player committed to India's financial landscape and attuned to global investment opportunities.

This AMC is also leaving its mark well outside the boundaries of business, through its Corporate Social Responsibility arm – Mirae Asset Foundation (MAF), an Indian charitable foundation that primarily works across several areas of educational development in India. Since its inception in 2018, Mirae Asset Foundation has championed educational development in India through initiatives like the Mirae Asset Foundation Scholarship Program, which has provided need-based scholarships to over 1,600 students nationwide. The Foundation's Education Infrastructure Support Program has partnered with 35+ NGOs across 12 cities, enhancing digital classrooms, providing STEM labs, clean water and safe sanitation facilities in underserved schools, supporting over 20,000 students.

When human calling came, the foundation conducted a vaccine drive during Phase I of COVID-19, when vaccinations were not freely available, then vaccinated approximately 15,000 people free of cost using open networks. This impactful initiative earned recognition from the HWW Council and the Korean Embassy. Through its multifaceted efforts, the Mirae Asset Foundation not only enriches educational opportunities but also encourages Mirae Asset employees to engage in volunteerism, fostering a culture of social responsibility within the company.

In a highly competitive landscape, Mirae Asset's success stems from its transparent, disciplined strategies and its ability to navigate volatile markets effectively. As one of the few foreign mutual fund entities to thrive in India, Mirae Asset's growth story is exceptional amid a backdrop of global exits.

With a legacy of trust, an innovation-driven mindset, and a strong focus on the future, Mirae Asset Mutual Fund continues to shape the Indian asset management industry. Its recent launch of theme-based passive funds is set to capture emerging trends in the Indian and global markets. This commitment to innovation reinforces Mirae Asset's position as a dynamic player, primed for sustainable growth and attuned to evolving investor needs. ■ ■ ■



**Universal Sampo
General Insurance**
Suraksha, Hamesha Aapke Saath





Building Trust and Innovation

The Remarkable Rise of Universal Sompo General Insurance

In an industry marked by challenges, Universal Sampo General Insurance (USGI) has carved a reputation as one of India's most forward-thinking and resilient general insurance companies. Established in 2007 as a joint venture between Indian Bank, Indian Overseas Bank, Karnataka Bank, Dabur Investment Corp., and Sampo Japan Insurance Inc., USGI has blended Japanese efficiency with Indian adaptability to deliver a remarkable range of insurance products. Over the past 17 years, USGI has consistently demonstrated a deep commitment to financial resilience, innovative offerings, and a customer-first ethos.

Origins and Core Leadership: A Vision for the Future

Universal Sampo's inception was guided by a strategic vision that combined the strength of leading Indian banks with the insurance expertise of Sampo Japan Insurance. With Sharad Mathur as Managing Director & CEO, USGI has charted a path of growth rooted in customer-centric policies, financial integrity, and operational transparency. Mathur's leadership has fostered a culture of excellence and inclusivity, strengthening USGI's position as an industry leader. Backed by a skilled board, he has adeptly guided the company through shifts in the insurance landscape, positioning USGI as a resilient and competitive force in the market.



Financial Performance: A Record Year of Growth and Stability

Fiscal Year 2023-24 was a landmark for USGI, achieving a Gross Direct Premium (GDP) of ₹4,622 crore, representing a 12.7% growth over the previous year. This increase was achieved through the company's strategic focus on diversifying its portfolio across motor, health, and other general insurance lines. Universal Sompo's net worth stands at an impressive ₹1,447 crore, with a solvency margin of 1.80 times, indicating a well-capitalized position. Supported by an investment portfolio valued at ₹4,612 crore, USGI's stable AA+ rating from ICRA underscores its fiscal reliability and reinforces its standing as a trusted insurer in the Indian market.

In recent years, USGI has made substantial headway in capturing market share in key insurance segments. The company has achieved a compounded annual growth rate (CAGR) of 25% in motor insurance since FY 2019, raising its market share from 1.1% to 2.3%. Its health and personal accident insurance segment has grown by a CAGR of 23% during the same period, underscoring the company's consistent expansion across different lines of business.

Expanding Product Portfolio and Strategic Market Position

Universal Sompo's portfolio comprises 226 IRDAI-approved products that encompass a full range of insurance needs, from motor and health to commercial and crop insurance. With motor and health lines leading revenue growth in FY 2023-24, USGI has secured a reputation for customer-centric solutions, offering products that are both innovative and responsive to the evolving needs of its diverse clientele.

Motor insurance, which represents one of the company's core revenue drivers, has shown remarkable resilience, growing at a CAGR of 25.9% over the past five years. Health insurance, another critical segment, continues to reflect strong market performance with a CAGR of 23%. USGI's motor and health insurance offerings have been instrumental in setting it apart as a provider that emphasizes product quality and adaptability, making it a formidable force in the highly competitive Indian insurance landscape.

Embracing Innovation: Digital Transformation and Customer-Centric Solutions

Universal Sompo's commitment to innovation is central to its success. Leveraging advanced digital technologies, USGI has streamlined its customer interactions to provide seamless experiences—from policy issuance to claims settlement. USGI's "Customer-Centricity" approach has earned the company over 2,000 Google reviews with a near-perfect 4.9-star rating, reflecting the trust and satisfaction of its clientele. Its digital platforms, user-friendly mobile applications, and 24/7 customer support have set new industry benchmarks for accessibility and convenience.

In FY 2023-24, the company has made significant investments in digital partnerships, capturing an increasing share of online business, with premium collections through digital alliances reaching ₹55 crore. This digital-first strategy aligns with India's rising internet penetration and enables USGI to tap into a broader customer base, particularly among younger, tech-savvy policyholders.

"One Team USGI": A Commitment to Inclusion and Talent Development

A hallmark of USGI's operational philosophy is its "One Team USGI" initiative—a cultural transformation aimed at fostering an inclusive, collaborative, and performance-driven work environment. This philosophy has helped unify the company's diverse workforce, with a strong emphasis on gender diversity, talent development, and employee well-being.

USGI's focus on diversity has been widely recognized. The company has achieved the Great Place to Work certification for two consecutive years and won the prestigious ET Best Brand Awards four times. These accolades underscore USGI's commitment to creating a progressive workplace that encourages meritocracy, celebrates inclusivity, and promotes professional growth. The company also received the "Best Talent, Diversity, and Culture Initiative Award" from Banking Frontiers Magazine, further affirming its place as a leader in talent management and cultural development.

Financial Highlights and Growth Metrics

- **Total Revenue:** Gross Direct Premium (GDP) of ₹4,622 crore for FY 2023-24, a 12.7% growth over the previous year.
- **Profitability:** USGI achieved a profit before tax of ₹254 crore, maintaining a steady upward trajectory in financial performance.
- **Investment Portfolio:** An investment book of ₹4,612 crore, contributing to a stable and growing asset base.
- **Employee Strength:** Over 1,800 employees drive the company's vision across 152 offices in more than 200 cities.
- **Market Leadership in Key Segments:** Motor insurance growth rate of 25% CAGR, health insurance CAGR of 23%, establishing USGI as a formidable player in these sectors.

Industry Recognition and Regulatory Excellence

USGI's outstanding service and performance have earned it numerous industry accolades, including ICR's AA+ (Stable) rating and the ET Best Brand Awards. These recognitions not only highlight USGI's financial resilience but also reflect its commitment to maintaining stringent regulatory compliance and governance standards. USGI actively collaborates with IRDAI to promote initiatives that enhance insurance penetration across India, aligning its goals with IRDAI's "Insurance for All by 2047" vision.

The company's dedication to regulatory excellence is seen in its proactive adoption of IRDAI's initiatives, such as Bima Sugam - a digital marketplace for insurance that aims to increase accessibility. USGI's customer-friendly approach aligns well with this regulatory goal, furthering India's mission to enhance insurance coverage across the country.

Future Outlook: Building on a Strong Foundation

Looking forward, Universal Sampo General Insurance is well-positioned to continue its upward trajectory, backed by its financial strength, diversified portfolio, and a steadfast commitment to customer-centric innovation. The company has outlined plans to expand its market reach through digital channels, strengthen its product offerings, and deepen its presence in underserved regions. In line with its growth objectives, USGI is targeting expansion in rural and urban markets, aligning its strategies with IRDAI's ambitious target of 100% insurance coverage by 2047.

As the company continues to navigate a competitive and dynamic industry landscape, USGI's journey stands as an inspiring story of resilience, innovation, and sustainable growth. With a dedicated workforce, forward-looking leadership, and a clear vision, Universal Sampo General Insurance is poised to build upon its successes and make significant strides in India's evolving insurance ecosystem.

In an industry characterized by change and complexity, USGI has emerged as a leader in delivering quality, trust, and assurance to millions of Indians. Its journey is a testament to the power of vision, adaptability, and a customer-focused approach, securing its place as one of India's most trusted general insurers.



Future Generali India Life Insurance

Insuring Happiness Through Customer-Centric Innovation

India is the fifth-largest life insurance market among emerging economies, growing at an impressive annual rate of 32-34%.¹ In this vibrant landscape, Future Generali India Life Insurance is steadfast in its commitment to being a Lifetime Partner, delivering innovative, personalized solutions and a superior customer experience. This dedication, embedded in the company's DNA, drives transformative growth, expanding its reach and securing the financial future of millions across India.

As a trusted partner, the company goes beyond the transactional nature of insurance by fostering transparency, empathy, and protection, securing a brighter future for the communities it serves.

¹<https://www.ibef.org/industry/insurance-sector-india>

Headquarters

Mumbai

Operating across

**1,300+
locations in India**

Employee Strength

(as on 30th September 2024)

**Approx. 3,000 employees
based out of 92 branches.**

Policies sold

(as of 31st March 2024)

Over 1.6 million

lives covered

(as of 31st March 2024) since inception

15,96,800 lives covered

Distribution network

22,938+ distributors

92 self-branches

850+ partner branches

Global Expertise, Customer Insight

Established in 2006 as a partnership between the Future Group of India and the Generali Group—which operates in over 50 countries with assets under management of €596 billion and premium income of €82.5 billion (as of 31st December 2023)—Future Generali India Life Insurance benefits from a global network of best practices, resources, and capabilities.

Future Generali India Life Insurance merges global expertise with deep insights into local markets. This approach enables the company to design tailored products that effectively meet the evolving needs of its customers.

A Trusted Partner in Financial Security

In recent years, Future Generali India Life Insurance's assets under management (AUM) have consistently grown, reflecting strong financial stewardship and a capacity to meet diverse customer needs. The company has also broadened its reach through an extensive network of distributors, branches, and strategic partnerships, making insurance more accessible in underserved regions.

Key statistics

(as of 31st March 2024)

AUM

2023-24

INR 7,952 Crores

(12% growth)

Solvency ratio

(March 2024)

183%

13-month persistency of the firm

(March 2024)

77%

Gross Premium

(23-24)

INR 1,810.54 Crores

Total Sum Assured

(including riders)

INR 1,47,780 Crores

(8.02% growth)

Human-Centric Technology Solutions

Inspired by the Generali Lifetime Partner principles of simplification, ownership, human touch, and innovation, Future Generali India Life Insurance is transforming the future of insurance in India. Focused on harnessing emerging trends, the company is actively investing in digital transformation initiatives that enhance the customer journey, simplify business operations for both customers and distributors, and foster efficient, transparent systems.

1. Global-Standard Financial Systems

As part of a global organization, Future Generali India Life Insurance is committed to setting a high benchmark for transparency and integrity in financial systems. Among the first in the insurance industry to adopt the internationally recognized IFRS-17 financial reporting standard, the company also introduced a Treasury Management System to ensure fair, accurate financial reporting. These advancements reflect Future Generali India Life Insurance's dedication to aligning with global standards in financial management and governance.

2. Innovating People Management Through Technology

Demonstrating its commitment to technological advancement, Future Generali India Life Insurance implemented SAP Success Factors to enhance every aspect of employee management. From centralizing employee data to offering insights on performance reviews, satisfaction metrics, training effectiveness, productivity, and compliance, this platform supports a data-driven approach to managing and fostering talent.

3. Enhancing Customer and Distributor Experience Through Innovation

■ **For Customers:** Future Generali India Life Insurance places innovation at the core of its customer offerings, designing products that make insurance

straightforward and accessible. With a diverse range of

solutions—from savings plans and milestone-focused insurance to term plans for young professionals, new parents, and retirement plans for mature customers—Future Generali India Life Insurance addresses the evolving financial needs of customers at every life stage.

The recent launch of hyper-personalized, AI-powered video messages further demonstrates their commitment to providing personalized access 24/7. Tailored to individual customers, these videos greet clients by name, reference specific policies, and provide customized updates and celebrations, enhancing the customer experience with a personal touch.

■ **For Distributors:** To support and streamline distributor operations, Future Generali India Life Insurance is consolidating seven platforms into a single app/portal called Fortuna. The aim is to create a centralized hub for critical distributor activities. Once fully implemented, Fortuna will enable distributors to access the following essential tools in one place:

- New distributor onboarding
- Distributor Management System
- Distributor Portal
- Lead and Activity Management
- Customer onboarding
- DIY Service capabilities (SDC)
- Data transformation solutions

Recognizing the critical role the "feet-on-street" frontline sales team plays in building strong customer relationships, the company has also integrated Atlas, a Sales force tool, to provide real-time, on-the-ground support. This enhancement bolsters the efficiency and productivity of the frontline sales network, crucial in meeting the needs of a rapidly expanding distribution landscape.

Embracing forward-thinking strategies and investing in cutting-edge AI and technology-driven initiatives, Future Generali India Life Insurance is spearheading innovations that amplify efficiency, personalization, and transparency. By doing so, it is paving the way for a future where technology fosters deeper understanding and stronger connections with its stakeholders.



Commitment to Social Responsibility and Diversity

Rooted in its global heritage and Lifetime Partner values, Future Generali India Life Insurance is committed to empowering individuals to shape a safer, more sustainable future. Recognising its roles as a responsible investor, insurer, employer, and corporate citizen, the company integrates social, environmental, and stakeholder impact to drive meaningful, sustainable transformation.

Strengthening Employee Engagement and Development

Future Generali India Life Insurance is a responsible employer, evident in its We Care benefits program and Continued Learning Program. We Care offers employees support, including sports scholarships for children, extended paternity leave, adoption assistance, and provisions for children with special needs. The Continued Learning Program empowers employees to pursue ongoing skill development, supporting their professional growth.

Future Generali India Life Insurance's Total Rewards Strategy balances short and long-term incentives, rewarding high-performing teams and enhancing retention. Development Centers create two-year career plans for critical role incumbents, which inform individual development paths and career progression. The company's employee-focused policies also include hybrid work options, extended paternity leave, and continued education assistance. Moreover, frequent training and development programs, like the "Finance for Non-Finance" sessions, reinforce core company values and help employees grow professionally.

Championing Diversity and Inclusion

Future Generali India Life Insurance champions diversity through many initiatives:

- The Be Bold hybrid working model provides specialized support for employees with children who have special needs and includes a weekly women's newsletter along with monthly profiles celebrating female employees. Through the Be Bold initiative, Future Generali India Life Insurance is expanding its commitment to DEI with targeted hiring for people with disabilities and an employee referral policy offering additional incentives for diverse referrals.
- Launched in 2024, the Women in Insurance (WIN) Channel is a pioneering initiative in the insurance sector, designed to support and empower young women leaders. Primarily focused on recruiting from non-metro MBA programs, WIN offers targeted Campus to Corporate training, equipping women with the skills and knowledge to build impactful careers in the insurance industry.
- Additional DEI initiatives include the Generali GIFT program, which provides mentorship to foster women's career growth, and FG Club Scholarships for employees' daughters.
- The She Rise platform supports 80 female managers across areas like wellness, sisterhood, business impact, and professional development.

Corporate Social Responsibility

Under its CSR banner, Future Generali India Life Insurance partners with NGOs including Pratham, United Way of Mumbai, and Save the Children through The Human Safety Net Foundation. Employees actively contribute through volunteering and fundraising, supporting underprivileged children and creating a lasting impact in their communities.

These initiatives underscore Future Generali India Life Insurance's dedication to nurturing a supportive, inclusive workplace and advancing meaningful societal change.

In 2024, Future Generali India Life Insurance India Life Insurance was recognized as the Fastest Growing Insurance Company by ASSOCHAM

Leading with Purpose and Responsibility

Future Generali India Life Insurance is resolute in its commitment to becoming a customer-centric leader in the market. With a steadfast focus on innovation, social responsibility, and inclusivity, the company is poised to shape a sustainable future, ensuring it remains a trusted ally for generations to come.



"At Future Generali India Life Insurance, we don't just provide insurance; we create pathways to a secure and prosperous future. Our commitment to innovation, empathy, and excellence is about empowering every individual, family, and business we serve, ensuring they can dream without limits and build legacies with confidence."

- Alok Rungta, MD & CEO



UGRO Capital's Journey

**To Build India's Largest
MSME Financing Institution**

A Vision Takes Root

UGRO Capital's journey began with the vision of Mr. Shachindra Nath, an industry veteran with over 25 years of experience in financial services. Growing up, his exposure to the carpet industry in Varanasi and their struggles with acquiring credit sparked the fire the in him to bring about a solution. He founded UGRO Capital in 2018 with the belief that India's Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the economy—a fact captured in our core belief, 'MSME Accha Hai!'.



Navigating the Initial Years

Every bold venture comes with challenges, and UGRO Capital's initial journey coincided with turbulent times for India's financial sector. Just as the Company began building its operations, the IL&FS and DHFL crises struck, causing significant disruptions in the credit market. Non-banking financial companies (NBFCs) across the country faced a liquidity crunch, making it difficult to access capital and build partnerships.

Despite these challenges, UGRO Capital stayed committed to its vision, focusing on building a robust platform from scratch. The Company took an innovative approach to lending, developing a data-driven underwriting model called the GRO Score, which enabled superior risk assessment and efficient loan disburseals. While the crises tested the financial ecosystem, UGRO Capital demonstrated resilience and foresight, positioning itself to grow in a sustainable manner.



The Pandemic and Its Impact

When the COVID-19 pandemic hit, MSMEs were among the worst affected segments. Supply chains were disrupted, businesses drew their shutters down, and many small enterprises faced existential challenges. UGRO Capital recognized the urgent need for liquidity among MSMEs and intensified its efforts to extend timely credit.

While many financial institutions tightened lending during this period, UGRO Capital scaled up with the help of its GRO Score 3.0—an evolved version of its proprietary underwriting model. The GRO Score 3.0 harnessed machine learning and alternative data to predict customer behaviour and creditworthiness with greater accuracy, using bureau, banking and GST records. This allowed UGRO Capital to extend credit responsibly while ensuring low delinquency levels.

The Company's focus on co-lending with banks also proved pivotal during these challenging times. UGRO forged partnerships with leading banks and financial institutions to co-lend to MSMEs, combining UGRO's underwriting capabilities with the banks' liquidity. This innovative model not only helped MSMEs survive the crisis but also positioned UGRO Capital as a reliable partner for growth.

Periodic Capital Raises: A Testament to Investor Confidence

UGRO Capital's growth has been fuelled by the unwavering support of a strong investor base. Since its inception, the company has successfully raised capital from leading private equity investors and institutional lenders. These periodic equity raises have not only provided the financial muscle to scale operations but also validated the company's business model and strategy.

At the very beginning, by raising an institutional equity capital of INR 914 Crores from investors, domestic family offices and public market investors, Mr. Nath recognized that the MSME sector could unleash unprecedented growth and innovation in India.

Over the years, UGRO Capital has built a diversified funding base, raising capital both through domestic and international markets. Continuing its strategic expansion, UGRO Capital raised INR 340.3 Crores last year, including INR 240 Crores from Denmark Government owned IFU via its Danish Sustainable Development Goals Investment Fund K/S, and INR 100.3 Crores from other institutional shareholders through a Qualified Institutions Placement (QIP). This year, along with acquiring a company, My Shubh Life (MSL), UGRO Capital also raised an equity capital of INR 1265 Cr through CCDs and Warrants, showing immense investor faith in a barely 6-year-old company.

A recent milestone was securing a \$40 million loan from the U.S. International Development Finance Corporation (DFC) through the ECB route. This fund will support lending to MSMEs, with a special focus on women-led enterprises and new-to-credit borrowers, reinforcing UGRO's commitment to financial inclusion.

Achieving Milestones: INR 10,000 Cr AUM

In just a few years, UGRO Capital has achieved several key milestones, the most recent being crossing INR 10,000 Crores in Assets Under Management (AUM). This achievement marks a significant step in the company's journey toward becoming India's largest small business financing institution. The INR 10,000 Cr AUM milestone reflects the trust placed by customers, partners, and investors in UGRO Capital's mission to empower the MSMEs of India with customised credit solutions.

The Company celebrated this accomplishment with a 'UGRO 10K Celebration Run' campaign aimed at promoting a healthy work culture among its employees. This milestone also saw the launch of the UGRO Anthem, created by employees using AI, symbolizing the collective spirit driving the Company forward. These initiatives highlight UGRO Capital's commitment not just to financial performance but also to fostering a culture of teamwork and well-being.

Looking ahead, UGRO Capital's ambitions are firmly set on doubling its AUM to INR 20,000 crore. The Company is also deepening its footprint in key markets across India, leveraging government schemes and the co-lending model to service the underserved small business of India.



A Journey of Impact Empowering MSMEs

At the heart of UGRU Capital's success is its unwavering belief in the sheer potential of MSMEs. Since inception, the Company has disbursed loans to over 1,00,000 MSMEs, creating a positive ripple effect across industries and communities. These loans have empowered small businesses to invest in growth, create jobs, and contribute to India's economic development.

As UGRU Capital scales new heights, the Company remains committed to fostering financial inclusion, ensuring that even the smallest enterprises have access to the resources they need to thrive. The journey from Varanasi to the boardrooms of global investors reflects UGRU's transformative impact on the Indian MSME ecosystem.

UGRU Capital's journey is a testament to resilience, innovation, and partnership. Building a team of experienced professionals from the industry is what has contributed vastly to helping the Company consistently evolved to meet the needs of the MSME sector. With TNR ₹10,000 Cr AUM already achieved and ambitious plans to double this figure, UGRU Capital is on a steady path to becoming India's largest small business financing institution. Guided by the vision of Mr. Shachindra Nath and powered by a passionate team, UGRU Capital's story is one of relentless pursuit, innovation, and belief in the power of small businesses.

The future holds immense promise, and UGRU Capital is poised to play a pivotal role in unlocking the potential of MSMEs, driving growth, and transforming the Indian economy. As the Company continues on this journey, the message is clear: 'MSME Acha Hai' and UGRU Capital is here to prove just that.

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With Wealth Wonders: The Indian BFSI Story, we aim to highlight the pivotal elements that have contributed to the sector's transformation. Through detailed accounts of technological innovations, market trends, and financial reforms, this book showcases the sector's adaptability and growth. Our intention is to provide readers with a clear understanding of how India's BFSI sector is reshaping the nation's financial future.

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