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Financial Access Accelerants: Strategic Investment Opportunities for Fintechs

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Problem of practice

The Indian fintech sector has significantly improved financial access; however, gaps exist, particularly in rural and low-income areas. As of 2023, nearly 22% of Indian adults remain unbanked, and many others have limited access to credit, insurance, or digital payment options.[1] Despite the widespread adoption of mobile banking and fintech applications, achieving true financial inclusion remains a challenge. Key obstacles include the limited technological reach in remote regions, a lack of adequately trained personnel to facilitate adoption, and regulatory gaps that undermine user trust and safety. Research by Claudia Yanez-Valdes and Maribel Guerro offers solutions for fintech entrepreneurs, regulators, and policymakers to accelerate financial access.[2] It suggests investing in emerging technologies, developing a digitally literate and skilled workforce, and creating robust, inclusive regulatory frameworks.

[2] The article 'Assessing the organizational and ecosystem factors driving the impact of transformative FinTech platforms in emerging economies' by Claudia Yáñez-Valdés and Maribel Guerrero, featured in Volume 73 of *International Journal of Information Management*, highlights organisational capabilities like robust digital infrastructure, advanced digital technologies, skilled talent, and supportive ecosystem condition such as regulations drive financial inclusion, transparency, and market expansion in emerging economies.

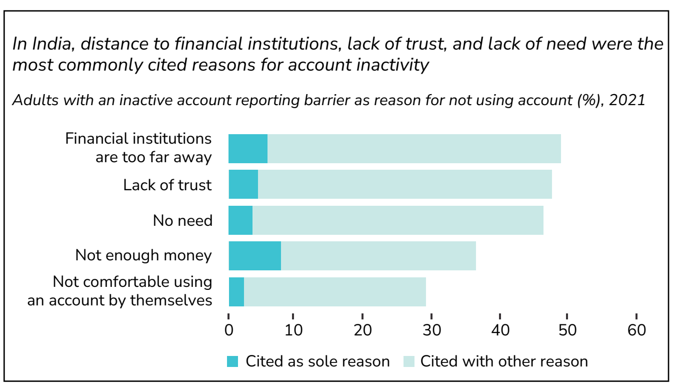
Access grows, gaps persist

Access to bank accounts has expanded across India. However, usage rates among those with bank accounts are low. Over one-third of Indian account holders made no deposits or withdrawals in the past year.[3] India has a high account inactivity rate, with about 35% remaining dormant in 2021.[4] The primary reasons for inactivity are distance to a financial institution, lack of trust and lack of need (Figure 1). These statistics highlight a persistent urban-rural divide and a gender gap in account usage.

Although the Reserve Bank of India's Financial Inclusion Index showed improvement, rising from 56.4 in 2022 to 60.1 in 2023, the index indicates that full inclusion is still far from being achieved.[5] In absolute terms, India still has one of the largest unbanked populations in the world.

These numbers highlight that financial exclusion remains a significant challenge despite a growing fintech industry and initiatives like Jan Dhan Yojana. Opening bank accounts is not enough; these accounts must be actively used and tailored to meet customer needs. For India's fintech leaders and policymakers, the challenge is to reach the 'last mile' customers—the poor, those in rural areas, and the less literate—by providing them with meaningful financial services that can improve their lives.

Figure 1: Reasons for Account Inactivity in India



Source: *Global Fintex Database 2021*

Accelerating inclusion

Research by Yañez-Valdés and Guerrero on fintech in emerging economies finds that companies can achieve better financial inclusion by excelling in three key areas: investing in advanced technologies, developing a skilled workforce, and operating within enabling regulations.[6] In the following three sections, we discuss real-world examples from India of how strategic investment in technology, talent, and policy helps integrate excluded individuals into the financial system.

To drive financial, inclusion fintechs need to:

T strategic investment in technology

R sound and robust regulations

U user's capabilities and trust in the system

S skilled talent

T business model that is thoughtful of ethical oversight

Investing in emerging technologies

Fintech innovators must continually invest in emerging technologies that make financial services more accessible and affordable. For instance, API platform M2P Fintech acquired identity verification startup Syntizen to integrate Aadhaar-based e-KYC and biometric verification into its offerings.[7] M2P's CEO noted that technology is "the great leveller" and can permeate financial inclusion by simplifying customer identification.[8] This acquisition allowed remote customers to open accounts with just a fingerprint or OTP, overcoming documentation barriers.

Another critical technology for inclusion is developing interfaces in local languages and intuitive designs. A notable case is PhonePe's acquisition of Indus OS in 2022.[9] Indus OS built a multilingual smartphone platform and app store. By buying it, PhonePe gaine the ability to offer its services in 12 Indian languages with a user-friendly, vernacular app marketplace.[10] This is strategic in a country where millions of consumers are more comfortable in regional languages than English. Fintech apps become usable to a much wider audience by investing in language-localisation tech.

Lastly, fintech firms are tackling the connectivity gap with innovation. PayNearby, a fintech enabling banking at local retail stores, partnered with French company

Be-Bound to allow digital transactions with limited or no internet.[11] Be-Bound's patented 'Augmented Connectivity' tech enables the PayNearby app to send data even on basic 2G or SMS networks. In practice, this means a village shopkeeper can perform banking transactions for customers even if the area has no data signal – the app falls back to SMS to carry out requests. This kind of offline technology is revolutionary for rural areas with patchy connectivity.

These emerging technologies directly tackle the traditional barriers (ID proof, language, connectivity) that excluded large segments of the population. Fintech firms prioritising such innovations are seeing tangible inclusion gains: PayNearby's CEO observed that with offline connectivity, local shops become 'digital pradhans' (leaders), offering banking to entirely new populations previously left out.[12] The lesson is clear: strategic tech investments can bridge gaps and bring financial services to where people are.

Building skilled workforce

Technology alone cannot drive inclusion without knowledgeable, customer-centric employees to implement and support it. Therefore, fintech and banking firms must invest in hiring and training talent with the right skills, from data science and cybersecurity to community outreach and customer education. Yañez-Valdés and Guerrero highlighted the importance of a skilled workforce in their research, which found that employees adept in the latest technology significantly improve fintechs' inclusion impact.

In India, leading institutions have recognised this and ramped up staff development programs. Axis Bank, for example, has rolled out massive upskilling initiatives for its employees.[13] The bank has invested in training its frontline staff and digitally empowering its sales teams and branch operations. These investments are designed to enhance frontline productivity through initiatives like Unnati and the implementation of end-to-end digital journeys for onboarding and servicing. It has even built an internal AI-powered chatbot ('Adi') to help employees get answers on new tech and products instantly.[14]

Another case is HSBC, which in 2022 launched a 'Fintech 101' educational programme in collaboration with Oxford's Said Business School to train thousands of its employees globally (including in India) on fintech fundamentals.[15] The Fintech 101 program covers digital disruption trends and technical topics like open banking and artificial intelligence. This course gives non-technical staff a firm grounding in emerging areas like blockchain, digital payments, and AI-driven finance.

Building such knowledge-intensive teams yields multiple benefits: staff can better design products for underserved customers, educate first-time users, and ensure digital services are delivered with a human touch. Moreover, a workforce skilled in cybersecurity and fraud prevention can protect novice users who may be vulnerable to scams. Therefore, investing in people is as essential as investing in hardware or software. Fintech firms effectively create an internal engine for innovation and inclusion by funding employee training.

Enable quality regulation

A supportive yet vigilant regulatory environment is the third pillar enabling fintech to expand inclusion. In India, regulators and policymakers have introduced several regulatory measures. One of the most recent is the Digital Personal Data Protection Act, 2023.[16] It is the country's first comprehensive data privacy law. This law requires consent for personal data use and mandates safeguards on storing and sharing customer data. For fintech companies, it creates a more transparent framework to handle sensitive financial information, which builds customer trust in digital services. Strong data protection is essential for low-income and first-time digital users, who need assurance that their information and money are safe.

Alongside data privacy, Indian authorities have tightened cybersecurity norms via agencies like the Computer Emergency Response Team (CERT-In).[17] In April 2022, CERT-In issued a directive requiring all organisations (including banks and fintechs) to report any cyber incident within 6 hours and instituted penalties for non-compliance. This pushes financial firms to beef up their security monitoring and incident response, crucial in an era of rising digital fraud. Sector-specific units like CERT-Fin (a dedicated cyber response team for the financial sector launched in 2017) further strengthen defences.[18]

Predatory loan apps, training, and regulatory gaps

These regulatory advancements have laid an essential foundation for inclusive fintech growth. However, there are still regulatory gaps and challenges. One such pressing concern is cybercrime. Even with stricter rules, most digital fraud cases in India still slip through the cracks, with few resulting in penalties or convictions. In 2022, nearly 700,000 complaints of financial cyber fraud were filed, yet only 2.6% resulted in an FIR (First Information Report) – a formal step to investigate/prosecute.[19] The conviction rate in cybercrime cases remains dismally low at around 3-4%.[20] This lack of effective enforcement undermines user confidence in new fintech services.

Many financial institutions are investing in training their employees to support digital service delivery, but gaps persist. For example, Bank Sakhis—responsible for bringing financial services to the last mile—worked with unfamiliar technology and little training to fall back on. In 2023, approximately 34% of Aadhaar-enabled payment transactions failed in rural areas.[21] These failures were not just due to poor connectivity or a lack of biometric mismatch. Many agents were unable to troubleshoot basic device errors, compliance paperwork, or assist first-time users effectively as they hadn't been properly upskilled.[22] As a result, there was a decline in trust and some villagers, discouraged by repeated failures, reverted to cash or informal financial channels.

Fintechs need TRUST

The challenge of financial inclusion is enormous, but so is the opportunity it holds. With millions of Indians still outside the formal financial system, the chance to drive inclusive growth is substantial. As highlighted through examples, TRUST plays an important role in bringing the desired inclusion. The first T refers to strategic investment in Technology that is robust, scalable and inclusive. R refers to the role of sound and robust regulations that ensure compliance and protect the user. U stands for the user's capabilities and trust in the system. As highlighted in many cautionary tales, a sound system is useless if the user cannot use or trust it. S stands for the role of skilled talent that must be developed to create such systems. The last T stands for the role of the right business model, which needs to be thoughtful about ethical oversight; otherwise, it can do more harm than good. The path ahead requires balance: we must continue to innovate with purpose while strengthening safeguards and supporting the people who make inclusion possible.

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