

Fintech and Digital Finance in India: A Governance Imperative for Boards in an Era of Exponential Scale

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Abstract

India's digital finance ecosystem has scaled faster than any comparable system in the world: the Unified Payments Interface (UPI) alone processed more than 241 billion transactions in FY2025-26, and the country's broader fintech industry is variously estimated to be worth between \$150 billion and \$160 billion today, with credible forecasts placing it near \$1 trillion within a decade. This perspective article argues that the speed of this transformation has outpaced the maturity of governance, board oversight, and enterprise risk frameworks built to steward it. Drawing on board-level experience across ESG, risk, and digital governance, the article reviews the scale of India's digital finance transformation, its financial inclusion dividend, and the residual gaps in access and quality captured in the Reserve Bank of India's Financial Inclusion Index. It then identifies five categories of governance risk that boards of banks, fintechs, and non-banking financial companies must treat as core oversight responsibilities rather than technology footnotes: concentration risk in payment rails, algorithmic and data governance in digital lending, cyber-fraud exposure, financial-inclusion equity, and third-party/platform dependency. The article proposes a practical board oversight framework and concludes that sustaining India's digital finance leadership will depend less on further product innovation than on building governance capacity commensurate with the systemic scale involved.

Keywords: Fintech; Digital finance; Unified Payments Interface; Financial inclusion; Board governance; Enterprise risk management; Digital lending; Central bank digital currency; ESG; Cybersecurity; India.

1. Introduction: Scale Without Proportionate Oversight

India's transition to digital finance is no longer a story about technology adoption; it is a story about the governance of national financial infrastructure. In little over a decade, the country has moved from a cash-dominated economy to one where a single interoperable payment rail UPI processes more transaction volume in a single month than many national payment systems process in a year. This scale did not emerge by accident. It is the product of deliberate public infrastructure choices (the India Stack, Aadhaar-based e-KYC, and the UPI protocol itself), a young and mobile-first population, and a fintech industry that has attracted tens of billions of dollars in capital and built some of the world's largest consumer financial platforms.

Yet a paradox sits at the centre of this achievement. The bodies responsible for governing this infrastructure the boards of banks, non-banking financial companies (NBFCs), payment aggregators, and fintech unicorns have, in many cases, not scaled their risk, ESG, and digital-governance maturity at the same pace as the underlying transaction volumes. Having advised boards across chemical manufacturing, technology, and financial services on

governance transformation, I have observed a recurring pattern: technology and product roadmaps are reviewed at board level with far greater rigour than the systemic, concentration, and algorithmic risks the same technology creates. This article examines the scale of India's digital finance transformation and argues for a governance response proportionate to that scale.

2. The Scale of The Transformation: UPI As National Infrastructure

UPI, launched by the National Payments Corporation of India (NPCI) in April 2016, has become the dominant channel for retail digital payments in the country. By FY2025-26, annual UPI transaction volume reached approximately 241.6 billion transactions, worth around Rs 314 lakh crore, up roughly 30 percent and 20.6 percent respectively over the previous year. Monthly volumes have consistently exceeded 22-23 billion transactions through 2026, equivalent to more than 700 million transactions processed every single day. UPI now accounts for an estimated 85 percent of India's retail digital payment volume, and person-to-merchant transactions many of them small-ticket payments under Rs 500 made up the majority of that flow, reflecting deep

penetration into everyday, low-value commerce rather than only high-value transfers.

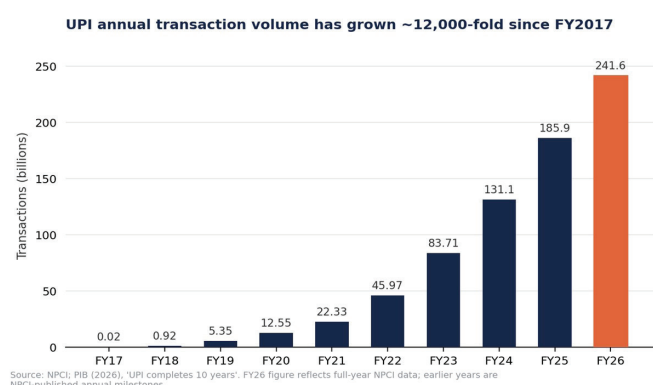


Figure 1. UPI annual transaction volume, FY2017-FY2026 (billions of transactions).

Two structural features of this growth are relevant to a governance discussion. First, the payment rail is now genuinely systemic: an outage or breach affecting even a fraction of daily volume would have consequences well beyond the affected institution. Second, the app-layer market remains concentrated. As of mid-2026, PhonePe and Google Pay together still process the large majority of UPI volume, although their combined share slipped below 80 percent for the first time in May 2026 as apps such as BHIM, Navi, and super money gained share. Concentration at the app layer, sitting atop a single shared rail, is precisely the kind of structural risk that a board risk committee rather than only a technology team should be actively monitoring.

Table 1. Snapshot of UPI scale, 2025-2026.

Period	UPI transaction volume	UPI transaction value	Source
FY2025-26 (full year)	~241.6 billion	~Rs 314 lakh crore	NPCI / PIB (2026)
June 2026 (month)	22.72 billion	Rs 28.92 lakh crore	NPCI
May 2026 (month, record)	23.2 billion	Rs 29.9 lakh crore	NPCI
December 2025 (month)	21.63 billion (+29% YoY)	~Rs 28 lakh crore	NPCI
Live participant banks	731 banks (June 2026)	-	NPCI

3. Beyond Payments: Market Growth, Lending, And the Digital Rupee

Payments were the entry point, but India's fintech industry has diversified into digital lending, insurance technology, wealth management, and central-bank-issued digital currency. Estimates of overall industry value vary considerably by methodology and scope, which itself is a governance-relevant observation: a sector this consequential still lacks a single, consistently measured valuation benchmark. A NITI Aayog estimate placed the sector at roughly \$31 billion in 2020; industry-body estimates (Assocham, citing NPCI) put it at approximately \$110 billion by 2024; a FICCI-BCG study projected \$150-160 billion by 2025; and longer-range industry forecasts project figures between \$420 billion (by 2029) and \$990 billion (by 2032) depending on assumptions about digital lending growth, financial inclusion, and regulatory support.

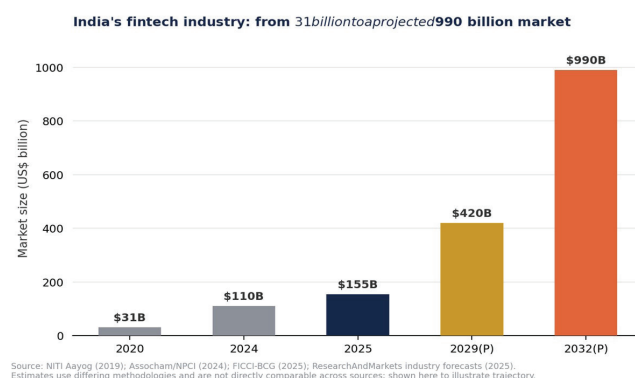


Figure 2. India fintech industry size selected estimates and forward projections, 2020-2032 (US\$ billion). Figures are drawn from different studies with differing scope and methodology; shown to illustrate order-of-magnitude trajectory rather than a single continuous series.

3.1 Digital lending

Digital lending is widely expected to be the largest single driver of the next phase of growth, with one industry estimate (Chiratae Ventures-EY) projecting the fintech-facilitated lending book to expand from under \$40 billion to roughly \$515 billion by 2030. This shift toward algorithmic, data-driven credit decisioning is precisely where governance attention is most overdue: unlike payments, where the primary risk is operational and cyber-related, digital lending introduces model risk, data-privacy exposure, and the possibility of automated bias in credit access issues that sit squarely within a board's risk and ESG remit.

3.2 The digital rupee (e₹)

The Reserve Bank of India's central bank digital currency pilot, launched in a wholesale variant in November 2022 and a retail variant shortly after, had reached approximately 17 participating banks and 6 million retail users by March 2025, with cumulative retail transactions crossing roughly Rs 1,000 crore by mid-2025. Adoption has been considerably slower than UPI's, partly because UPI already meets most of the same consumer use cases at comparable convenience. The more interesting institutional development has been on the wholesale side, where the digital rupee is beginning to be used for government securities settlement and cross-border trade finance, areas that will increasingly require board-level treasury and risk oversight at banks pursuing these use cases.

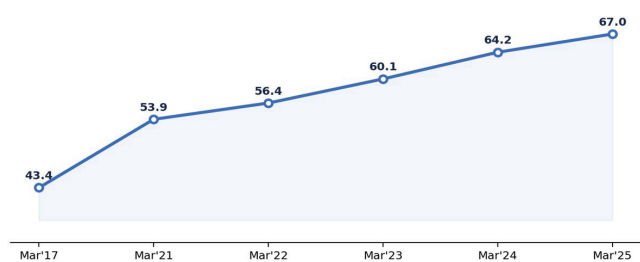
4. Financial Inclusion Dividend and Its Limits

The stated public-policy rationale for India's digital finance push has always been financial inclusion, and the record here is genuinely significant. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, had opened approximately 560 million bank accounts by August 2025, with cumulative deposits of around Rs 2.68 trillion. Roughly 67 percent of these accounts are held in rural and semi-urban India, and about 56 percent are held by women figures that speak to real progress in extending formal banking to historically excluded segments. The Reserve Bank's Financial Inclusion Index (FI-Index), a composite measure spanning access, usage, and quality across banking, investment, insurance, postal, and pension services, has risen steadily from 43.4 in March 2017 to 67.0 in March 2025.

The trend line is positive, but the level matters as much as the direction: an index value of 67 out of 100 indicates that a meaningful share of the population still has limited access to, or

derives limited quality from, formal financial services even as headline payment-transaction volumes suggest near-universal digital participation.

RBI's Financial Inclusion Index: steady but still short of full inclusion (100)



Source: Reserve Bank of India, Financial Inclusion Index releases (2017-2025). Index: 0 = complete exclusion, 100 = full inclusion.

Figure 3. RBI Financial Inclusion Index, March 2017-March 2025 (0 = complete exclusion, 100 = full inclusion).

This gap between transaction-level ubiquity and inclusion-quality is, in my view, under-examined at board level. It is entirely possible for a bank or fintech to report record digital transaction growth while the same institution's contribution to genuine, quality financial inclusion as opposed to transaction volume remains modest. Boards with ESG mandates should be asking for both metrics, not just the more flattering one.

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Table 2. Financial inclusion indicators, India, selected years.

Indicator	2015 / earliest	Latest available	Direction
PMJDY bank accounts	147.2 million (Mar 2015)	~560 million (Aug 2025)	Strong growth
Share of accounts held by women	n/a	~55.7%	Positive
Share of accounts in rural/semi-urban India	n/a	~66.8%	Positive
RBI Financial Inclusion Index (0-100)	43.4 (Mar 2017)	67.0 (Mar 2025)	Improving, incomplete
CBDC (₹) retail active users	0 (Dec 2022 launch)	~6 million (Mar 2025)	Slow, early-stage

5. Where board governance has lagged: five risk categories

Based on the pattern of risk oversight I have observed across industrial, technology, and financial-services boards, five categories of risk associated with digital finance warrant explicit, named attention at board and risk-committee level distinct from generic 'technology risk' or 'IT risk' line items.

Concentration and single-rail dependency risk. A large share of

India's retail payment activity now depends on one interoperable rail operated by one entity (NPCI), accessed predominantly through two or three consumer apps. Boards of banks and payment companies should require scenario planning for rail-level outages or breaches, not only app-level incident response plans.

Algorithmic and data governance in digital lending. As lending shifts to alternative data and automated underwriting, boards should require independent validation of credit models, documented fairness testing across demographic and geographic segments, and clear escalation paths when model performance degrades governance practices more commonly associated with AI oversight than with traditional credit committees.

Cyber-fraud exposure at population scale. NPCI has responded to rising fraud patterns with daily transaction caps, removal of collect requests, mandatory beneficiary-name display, and AI-based mule-account detection. These are necessary operational controls, but board risk committees should independently track fraud-loss trends and customer-grievance data as a standing agenda item, rather than treating fraud as solely a regulatory-compliance matter.

Financial inclusion equity versus transaction-volume optics. As noted in Section 4, growth in transaction volume is not synonymous with growth in inclusion quality. ESG committees should insist on disaggregated inclusion metrics access, usage, and quality by geography, gender, and income segment rather than accepting aggregate transaction growth as a proxy for social impact.

Third-party and platform dependency risk. Banks and NBFCs increasingly distribute products through fintech and platform partnerships. The governance question is whether the regulated entity's board has genuine visibility into the partner's risk controls, data-handling practices, and business continuity arrangements, or whether oversight is effectively outsourced along with the distribution relationship.

6. A Practical Board Oversight Framework

Translating the above into board practice does not require reinventing governance structures; it requires extending existing risk, audit, and ESG committee mandates to explicitly name digital finance exposures. A structured approach that has worked in comparable governance-transformation engagements involves four steps: first, mapping the institution's digital finance exposures across payments, lending, and platform partnerships into a single risk register rather than leaving them scattered across technology, compliance, and business-unit reporting; second, defining board-level risk appetite statements specific to digital finance for example, acceptable fraud-loss thresholds, model-drift tolerances, and concentration limits with any single payment or lending partner; third, establishing recurring (at minimum quarterly) board reporting on the five risk categories in Section 5, using leading indicators rather than only lagging incident counts; and fourth, embedding digital-finance risk explicitly within ESG reporting, given its direct bearing on financial inclusion outcomes and consumer protection, both of which are increasingly scrutinised by regulators and institutional investors alike.

This framework is deliberately practical rather than prescriptive of specific technical controls, which are properly the domain of risk and technology specialists. The board's role is to ensure such controls exist, are independently tested, and are reported in terms the board can genuinely interrogate a governance discipline that has historically been applied more rigorously to financial and operational risk than to digital and algorithmic risk.

7. Conclusion

India's digital finance transformation is, by any measure, a genuine success in infrastructure design and adoption. UPI has demonstrated that a public-interoperable payment rail can outcompete proprietary alternatives at national scale, and financial inclusion metrics, while incomplete, have moved meaningfully in the right direction. The risk to this achievement is no longer one of insufficient innovation or adoption it is one of governance capacity failing to keep pace with systemic scale. Boards of banks, NBFCs, and fintech companies operating in this ecosystem should treat digital finance risk with the same rigour historically reserved for credit and market risk: named, measured, reported, and owned at board level. Sustaining India's position as a global leader in digital finance will depend as much on the maturity of that governance as on the next wave of product innovation.

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