

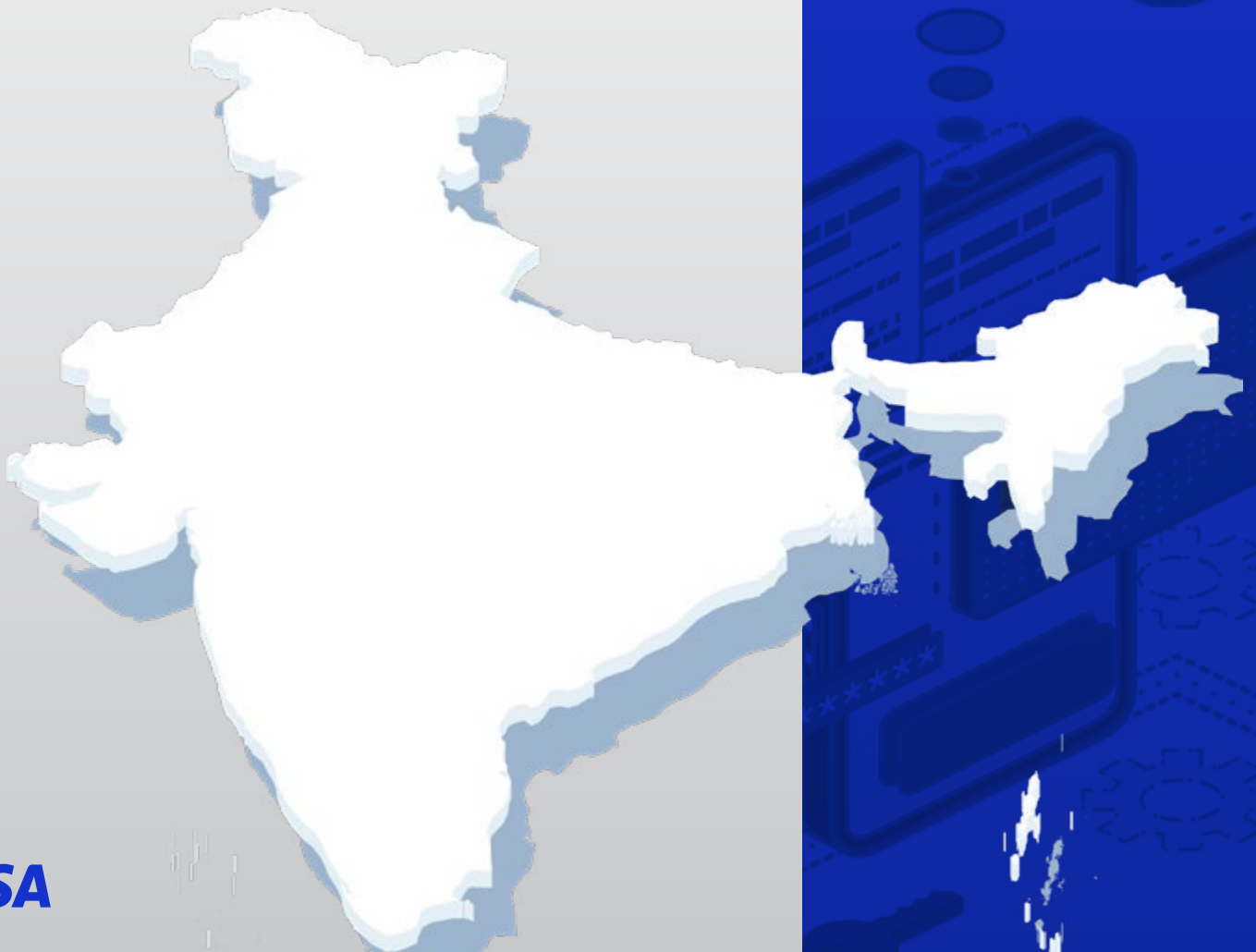
# 2024

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**India Edition**

# The Embedded Lending Opportunity



**VISA**

# What is embedded lending?

Embedded lending describes any credit tool or capability integrated directly into the merchant or provider's platform wherein borrowers can apply for credit when paying for a product or service. For instance, during an online retail checkout, consumers could be offered the option to apply for a new credit card, an installment on an existing credit card, or a buy now, pay later (BNPL) service — and can immediately use it to pay for part or all of the bill.

Other examples of embedded lending include dedicated apps or financial services platforms that provide cash advances or instant loans. Forms of lending that are not embedded include credit options such as charging the expense on an existing credit card or using money from an existing personal loan. Embedded lending is a subset of embedded finance, and though the terms are related, they are not the same.



Read more in  
**The Embedded Lending Opportunity:  
Australia Edition**  
[Click here to download](#)

The Embedded Lending Opportunity: India Edition was commissioned by Visa, and PYMNTS Intelligence conducted the research and produced the report. [PYMNTS Intelligence](#) retains full editorial control over the following content, findings, methodology and data analysis.

2024

## The Embedded Lending Opportunity

 **India Edition**



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# What's **at stake**

**E**mbedded lending has amassed notable demand among consumers and businesses around the globe. By providing streamlined access to credit that does not require leaving the checkout process, embedded lending helps users simplify their financing activities and cover specific expenses as needed. In India, a market with a relatively underdeveloped traditional banking sector, embedded solutions have proven especially appealing.

PYMNTS Intelligence's latest report series pinpoints key areas of demand for embedded lending. For example, 37% of microbusinesses and small businesses (MSBs) in India have used it in the last year.<sup>1</sup> Moreover, about two-thirds of consumers and MSBs alike show strong interest in switching to providers that offer embedded lending solutions. That said, both local and global users widely report friction and frustration, including with the application process.



# 66%

Share of consumers who would be **very or extremely likely to switch** to a provider that offers embedded lending

These are just some of the findings detailed in The Embedded Lending Opportunity: India Edition, a PYMNTS Intelligence and Visa collaboration. This brief draws on a 360-degree study of lenders and end users (consumers as well as MSBs) in six countries — Australia, Germany, India, Japan, the U.K., and the U.S. — conducted between January 13 and March 15.

## **This is what we learned.**

<sup>1</sup> In this study, "microbusinesses" are defined as businesses generating less than ₹46 million in annual revenue and "small businesses" are defined as those generating between ₹46 million and ₹832 million in annual revenue. This report deliberately uses MSB to abbreviate these two types of firms to avoid confusion with the common abbreviation for small to mid-sized business (SMBs).

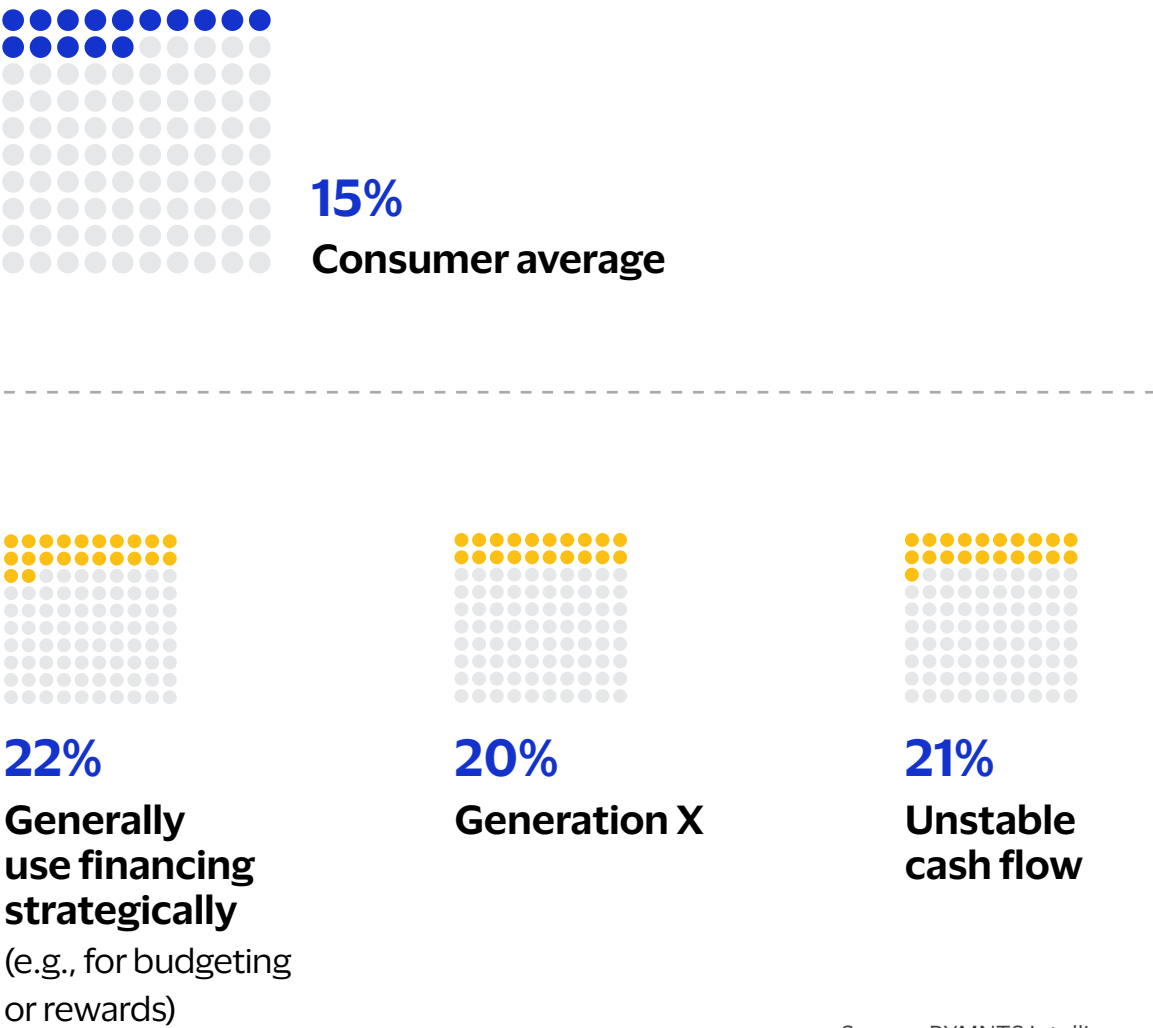
# Embedded lending is gaining substantial popularity in India, especially among microbusinesses and small businesses.

In India, embedded lending has built a large user base among both consumers and MSBs, although other forms of lending have higher adoption rates. Fifteen percent of consumers in India have used embedded lending in the last three months — the second-highest rate among the six countries included in our study. For context, the U.S. leads at 17%.

A remarkable 37% of MSBs in India used embedded lending in the last year. This is a far higher rate than we observed in any of the other countries in our study. We attribute this in part to the technology “leapfrog” effect of rapid, widespread smartphone and internet adoption in a country where the traditional financial services sector is relatively undeveloped. Embedded lending usage rates are especially high for local small businesses (those in the ₹46 million to ₹832 million revenue bracket), at 52%.



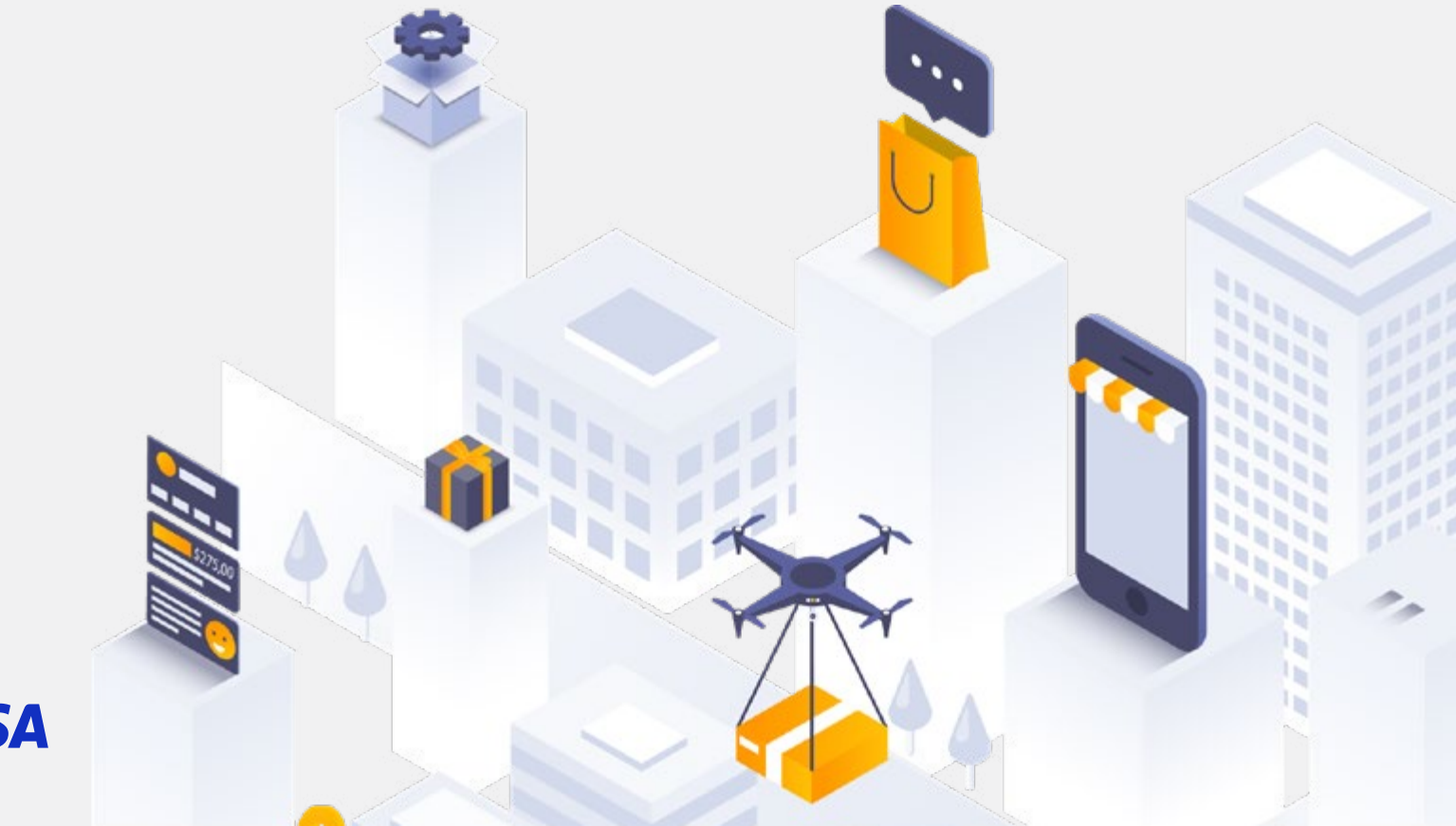
Figure 1:  
**Which consumer personas are more likely to use embedded lending?**  
Share of consumers in India who used embedded lending



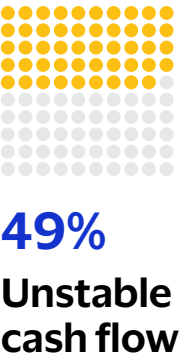
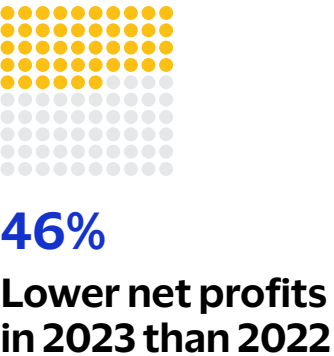
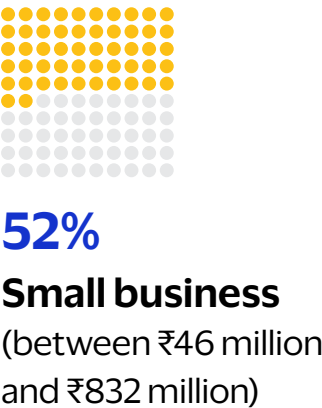
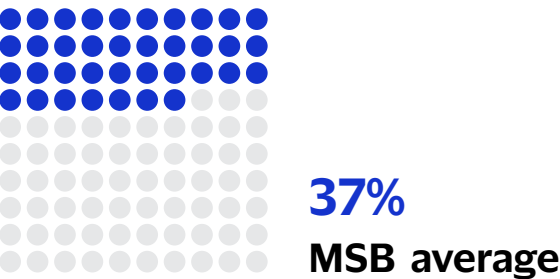
Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: India Edition, September 2024**  
N = 1,065: Complete consumer responses for India, fielded Jan. 22, 2024 — Feb. 13, 2024

Data also reveals elevated use among some key segments. For example, 20% of Gen X consumers in India used embedded lending recently, and local Generation Z consumers also used it at a higher-than-average rate of 18%. Notably, 22% of consumers who use financing strategically did the same, highlighting the reality that embedded lending’s appeal is not just based in financial necessity.

Financial necessity does make an impact, however, as across our six-country study, we find that cash flow stability informs embedded lending use. Twenty-one percent of consumers with unstable cash flows used embedded lending in the last three months – 38% higher than the consumer average. For MSBs, this trend is even stronger, with 49% of those with unstable cash flows using embedded lending in the last year – 34% more than the MSB average and the highest across the six markets in our study.



**Figure 2:**  
**Which MSB personas are more likely to use embedded lending?**  
Share of MSBs in India that used embedded lending



Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: India Edition, September 2024**  
N = 693: Complete India MSB responses, fielded Jan. 19, 2024 – Feb. 26, 2024



## Nearly all embedded lending users in India faced credit-related difficulties, spotlighting issues with lender implementation and marketing.

Across the six countries in this study, embedded lending users widely report frustrations that detract from their experiences. These frictions are especially present in India, where 97% of consumers and 95% of MSBs experienced at least one pain point — far more frequent than seen in other markets.

For consumers, the most frequent issue with embedded lending is irrelevant offers, which were reported by 73% of those who recently used embedded lending. Other common headaches for consumers include concerns about privacy and security, reported by 35%, and friction with the application process, identified by 31%.<sup>2</sup>

<sup>2</sup> These frictions include general difficulty of the application process, unclear or hidden terms or conditions, and difficult eligibility requirements.

On the MSB side, the application process is the most frequently cited pain point, experienced by 65% of local MSBs that recently used embedded lending. Concerns about credit options and availability follow, at 62%, while about half cited cost and repayment issues. We note that MSBs tended to report multiple issues more often than consumers, indicating that businesses in India have an especially challenging time with embedded lending.

It is important to note that in India, these trends apply to all lending, not just embedded lending. In fact, respondents who used other types of lending ran into challenges at about the same rates. This breaks with the overall pattern seen across the other five countries, where rates of friction among users of non-embedded lending products were often much lower (though still high) than observed for embedded lending users. This points to a heightened need for lenders in India to improve their consumer and MSB products and related operations. It also highlights an opportunity for embedded lending providers to outmaneuver traditional lenders by minimizing the frustrations that consumers and MSBs face when using credit.



**Figure 3:**  
**Issues consumers face related to credit**  
Share of consumers citing select issues they experienced related to using or applying for credit products in the last 90 days, by type of lending used

	Sample	Used embedded lending	Used other types of lending
Application process	48.9%	30.5%	55.9%
Cost	38.9%	24.2%	43.3%
Offers are not relevant	40.9%	73.0%	30.0%
Repayment issues	32.2%	12.2%	39.8%
Personal issues related to debt	27.6%	23.9%	29.3%
Concerned about data security	20.0%	35.3%	13.2%
Credit option availability	12.3%	4.5%	15.5%
No frictions experienced	4.9%	2.5%	6.1%

Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: India Edition, September 2024**  
N = 1,065: Complete consumer responses for India, fielded Jan. 22, 2024 – Feb. 13, 2024

**Figure 4:**  
**Issues businesses face related to credit**  
Share of MSBs citing select issues they experienced related to using or applying for credit products in the last 12 months, by type of lending used

	Sample	Used embedded lending	Used other types of lending
Cost	47.5%	51.0%	45.0%
Application process	57.1%	65.1%	63.6%
Repayment issues	40.8%	49.0%	44.3%
Offers are not relevant	28.0%	36.5%	25.7%
Worry about overspending/too much debt	32.8%	41.6%	35.0%
Credit option availability	44.7%	62.4%	45.0%
Concerned about the security of our data	16.9%	22.4%	19.3%
Worry about lowering business’s credit score	16.7%	25.1%	15.0%
No frictions experienced	6.3%	5.1%	2.1%

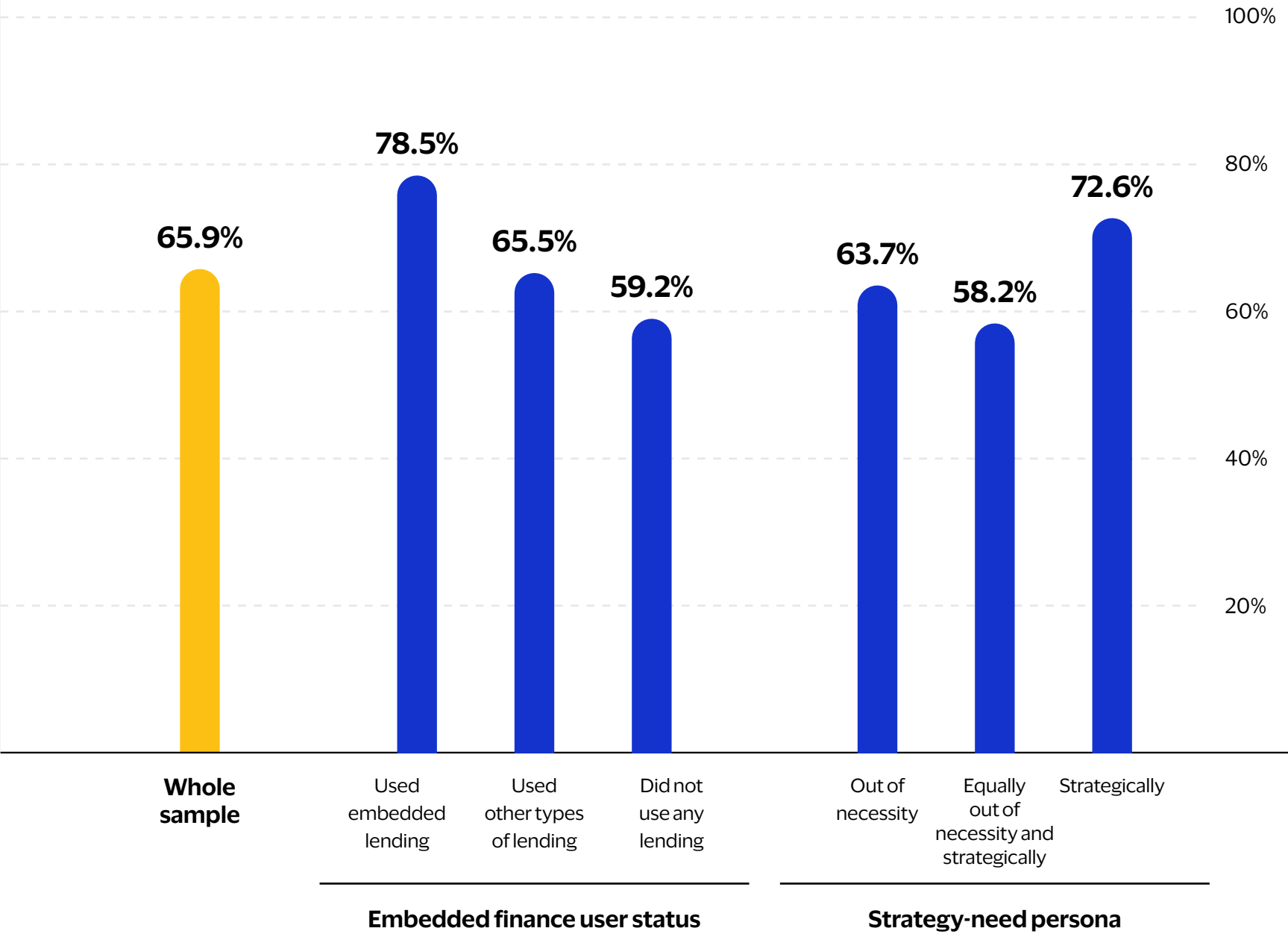
Source: PYMNTS Intelligence  
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# Consumers and MSBs in India indicate that access to embedded lending is highly important to them.

About two-thirds of consumers and MSBs in India said they would be very or extremely likely to switch to new banks, merchants or financial services providers that offer embedded lending options. That high share suggests there is significant growth potential, especially on the consumer side. Sixty-six percent of consumers in India would be highly likely to switch, even though only 15% used embedded lending in the last three months. For MSBs, 70% would be highly likely to switch, whereas 37% used embedded lending in the last year.

As seen in the other countries in this study, prior experience with embedded lending drives greater interest in having access to it. Among local consumers who used embedded lending recently, 79% would be highly likely to switch to providers offering embedded lending options. For MSBs, the share is even higher, at 82%, confirming that building familiarity with embedded lending will be key as providers seek to win and retain customers.

**Figure 5A:**  
**Willingness to switch**  
Share of consumers very or extremely likely to switch to a provider (bank, merchant or financial services provider) that offers embedded lending options



Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: India Edition, September 2024**  
N = 1,065: Complete consumer responses for India, fielded Jan. 22, 2024 – Feb. 13, 2024



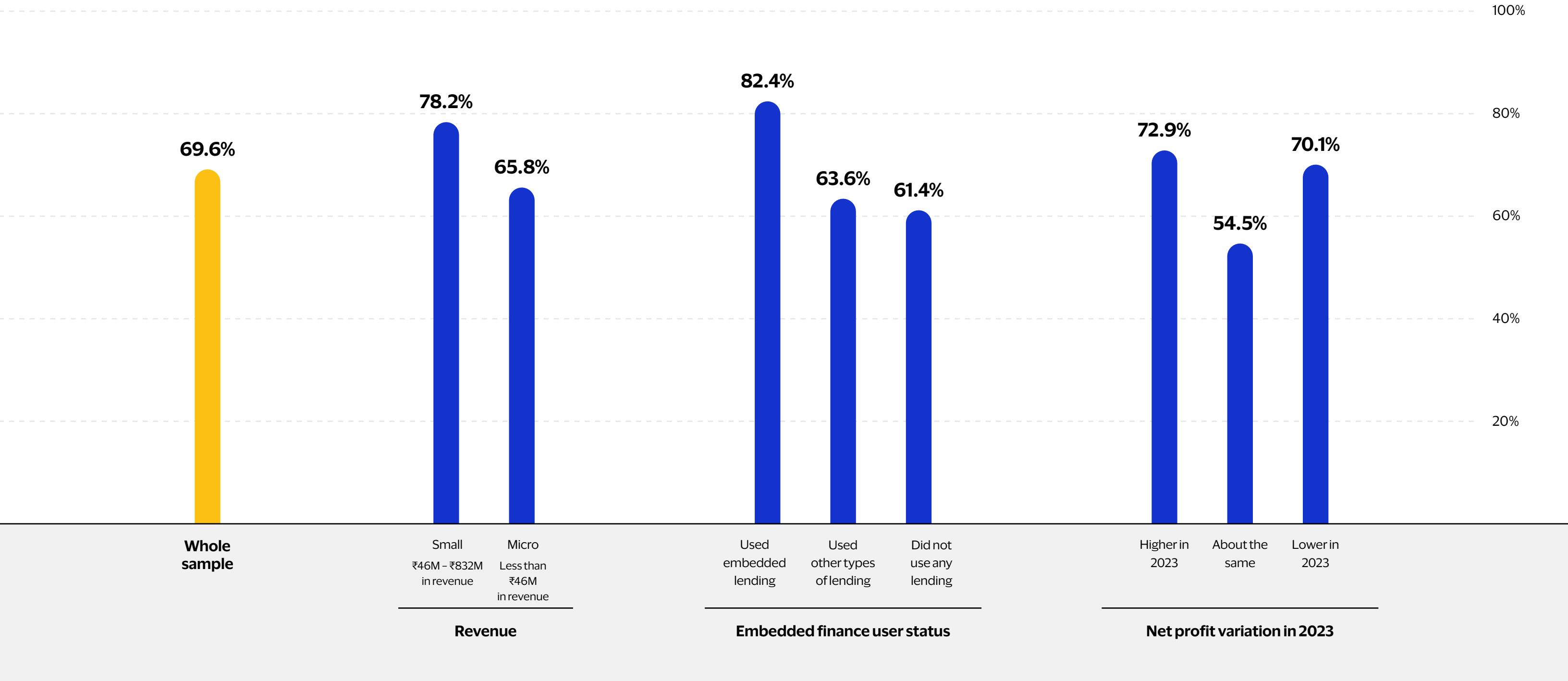
Figure 5B:

Willingness to switch

Share of MSBs very or extremely likely to switch to a provider (bank, merchant or financial services provider) that offers embedded lending options

Source: PYMNTS Intelligence

The Embedded Lending Opportunity: India Edition, September 2024  
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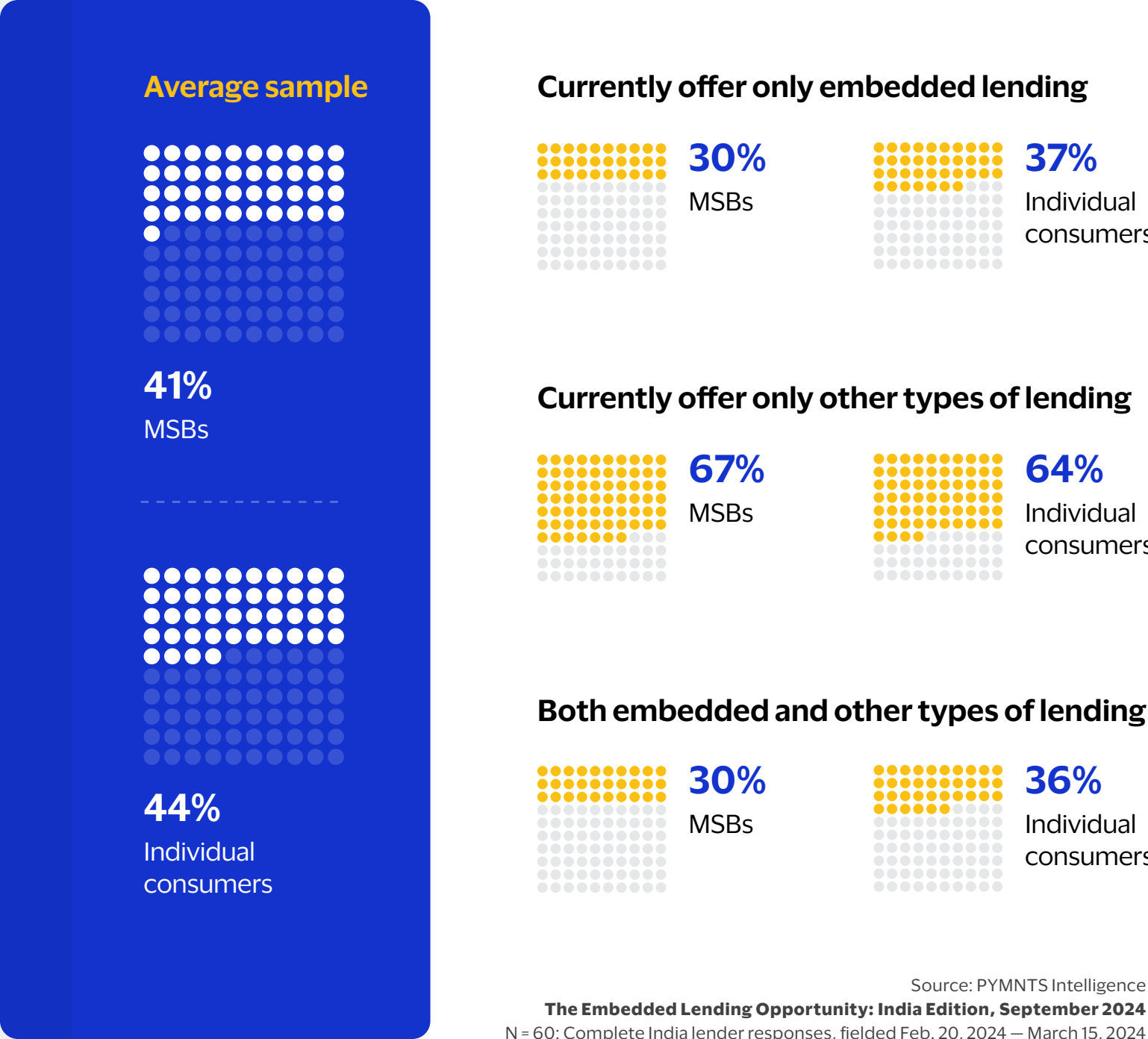


# Over 4 in 10 lenders in India are highly interested in launching new embedded lending products, reflecting broad-based enthusiasm in this space.

Data suggests that many lenders in India are optimistic about embedded lending’s growth prospects for both the consumer and MSB segments. Forty-four percent of lenders said they are very or extremely interested in rolling out new embedded lending products for consumers, and 41% indicate the same for MSBs. About two-thirds of the lenders not currently offering embedded lending have strong interest in beginning to do so, indicating that these providers see embedded lending as an important part of remaining competitive.

Of course, bringing new credit products to market presents a range of challenges for lenders. We asked lenders in India about the obstacles they face in doing so. The most frequently cited area of concern was risk management and credit assessment, cited by 32%, followed by technology integration and infrastructure (23%).

**Figure 6:**  
**Lenders’ interest in embedded lending innovation for consumers and MSBs**  
Share of lenders that are very or extremely interested in offering new embedded lending products to consumers or MSBs in the next two years



We spoke to lenders in India not currently offering embedded lending about the challenges that deter them from doing so.

**Here are some of their key concerns:**

**“ Compliance with regulatory standards** — such as banking rules, lending laws and data privacy restrictions — can be challenging. ”

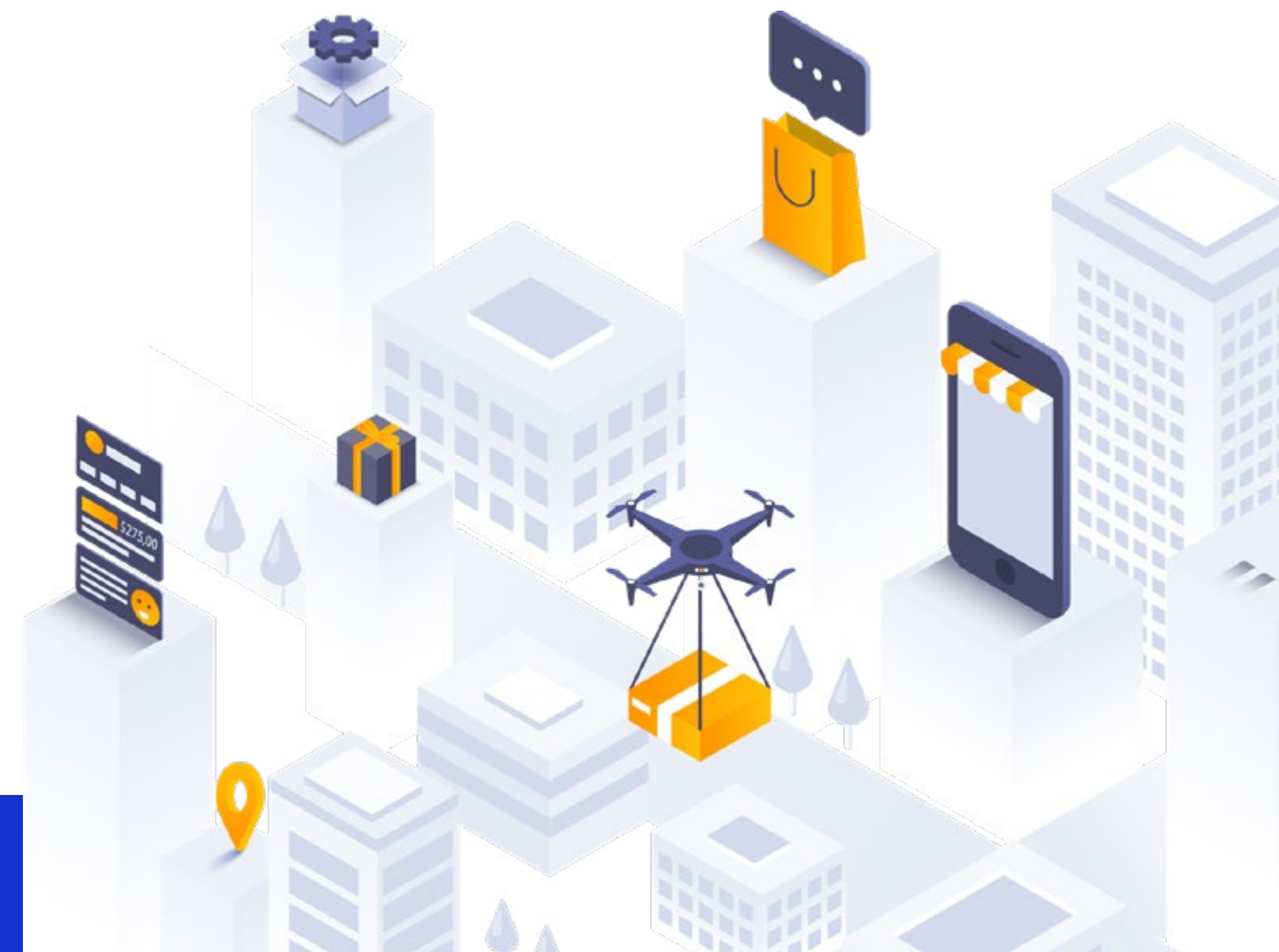
— Executive from a FinTech generating between \$1 million and \$10 million in annual revenue

**“ Developing [technology] infrastructure that can handle large volumes of transactions. ”**

— Executive from a regional bank with between \$5 billion and \$25 billion in assets

**“ Managing capital effectively** to support loan disbursements while maintaining liquidity is a challenge. ”

— Executive from a FinTech generating between \$50 million and \$100 million in annual revenue





# Conclusion

**E**mbedded lending has become a favored way to access credit in India, and a continued ramp-up is on the horizon. Large shares of consumers and MSBs in India already use embedded lending, and the majority of each segment indicates strong interest switching to banks, merchants or financial services providers that offer it. This means there is a crucial opening for lenders in India, particularly in light of the smartphone-centric population and limited development of the traditional lending sector.


To capitalize on this opportunity, providers must address the widespread frustrations both consumers and MSBs experience, particularly in the application process — something that embedded lending should make frictionless.

# Methodology

The Embedded Lending Opportunity: India Edition is based on a 360-degree study of lenders (FinTechs, financial institutions) and end users (consumers as well as MSBs) that are the targets of embedded finance products as part of their purchasing experiences. This brief examines the state of play for embedded lending in India for both consumers and MSBs.

The lenders analysis is based on 60 responses from banks and FinTechs operating in the lending space in India conducted from Feb. 20 to March 15. For consumers, we draw on a census-balanced survey of 1,065 consumers in India conducted from Jan. 22 to Feb. 13. On the MSB side, the analysis is based on a survey of 693 MSBs in India conducted between Jan. 19 and Feb. 26 across multiple industries, including technology, construction and building materials, retail, financial services, and manufacturing.

Figure A1:  
Number of businesses surveyed  
With revenue band definitions

	N	Revenue bracket
• Microbusiness	482	Less than ₹46M
• Small business	211	₹46M-₹832M

Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: India Edition, September 2024**  
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## The PYMNTS Intelligence team that produced this report

**Karen Webster**  
CEO

**Scott Murray**  
SVP and Head of Analytics

**Yvonne Markaki, PhD**  
SVP, Data Products

**Daniel Gallucci**  
Senior Writer



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