Delivering Credit Near You: Strengthening Financial Inclusion for India's Gig Workforce through Data Integration and NBFC Empowerment

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Abstract: India's expanding gig economy, propelled by smartphones and digital platforms, offers pivotal income opportunities but remains burdened by financial exclusion. Gig workers face significant barriers to formal credit due to irregular earnings, lack of documentation, and unverifiable credit histories. This policy brief identifies two core challenges: the incomplete identification of gig workers within national databases and restricted credit access following the RBI's regulation tightening on unsecured lending.

To address these gaps, we propose a two-pronged approach: (1) Revamp the E-Shram portal by mandating enrollment and integrating a credit-tracking feature that facilitates seamless access to credit; and (2) Cushion the NBFC and fintech landscape to increase credit access to gig workers. This will be done by providing a First Loss Coverage Guarantee to NBFCs, which gives better coverage to NBFCs than under existing schemes, comprehensive loan categories and loan upgrade mechanisms, while reforming bureaucratic processes. We aim for these reforms to formalise gig worker data, unlock credit access, and strengthen financial resilience in India's evolving labour market.

I. Introduction

The emergence of the gig economy represents one of the most significant transformations in India's labour market in recent years. The gig economy is characterised by task-based work or "gigs", which are mostly based on temporary, short-term contracts and flexible work timings. The expansion of this economy has been facilitated by the widespread adoption of smartphones and the rise of digital platforms.

As defined by the Social Security Code of 2020, a gig worker is an individual who performs work or participates in a work arrangement and earns income from such activities outside of a traditional employer–employee relationship. The gig workforce is diverse, with approximately 47% engaged in medium-skilled jobs, 22% in high-skilled roles, and 31% in low-skilled work (NITI Aayog, 2022). This workforce can also be split into two broad categories: platform-based and non-platform-based. Platform-based workers connect with clients through digital intermediaries such as mobile applications or websites. This enables efficient matching of demand to supply. Examples include Ola and Uber drivers, Zomato and Swiggy delivery partners and Urban Company service providers. In contrast, non-platform workers are those who find work through personal networks or word-of-mouth.

India's gig workforce is on the rise, with numbers expected to nearly triple from 7.7 million in 2020–21 to 23.5 million by 2029–30, and is expected to contribute 1.25% to India's GDP by 2030 (NITI Aayog, 2022). India possesses a unique advantage - 65 % of its population is in the working-age group (Appendix Figure 1), and a median age of 29 years. With a young and expanding workforce, India's growing gig economy presents a timely opportunity for the government to harness its demographic dividend, accelerate economic growth and reduce unemployment rates.

However, the gig economy suffers from financial exclusion. There is a persistent lack of credit access among gig workers that restricts their ability to invest in productive assets such as cars, scooters or tools to enter and sustain their livelihood within the gig economy. They continue to face significant barriers in accessing formal credit due to three primary factors: irregular and unpredictable income, lack of traditional markers of creditworthiness, and insufficient documentation (ILO, 2024).

ActionAid's national survey (2020) found that 58% of informal workers borrowed money during the COVID-19 lockdown, mainly from informal lenders or fintech, since formal credit was inaccessible. Additionally, 53% of these workers took on extra debt during this period to finance their expenditure for food and essential healthcare. This sets a baseline for the financial vulnerability of gig workers, who often carry forward pre-existing credit exclusion when transitioning from informal work.

Fortunately, Non-Banking Financial Companies (NBFCs) have become key enablers of financial inclusion for gig workers by using alternative non-traditional methods of calculating creditworthiness by leveraging digital platforms and alternative data sources, such as platform earnings, transaction histories and client ratings. NBFCs can deliver flexible loan products for gig workers. Alongside NBFCs, fintech lending platforms embed themselves within the gig ecosystem by providing instant, paperless credit disbursal.

II. Problem: Challenges in India's Gig Economy

A. Incomplete Identification and Measurement of the Gig Workforce

Despite the growth projected in the Niti Aayog report, policymakers still lack a reliable system to identify and measure gig workers as a distinct labour segment. The Social Security Code, 2020, does not clearly define who qualifies as a gig worker or capture the diverse nature of gig employment. The Periodic Labour Force Survey (PLFS), India's primary labour data source, continues to subsume gig work under broad categories such as "self-employed," "own-account workers," or "casual labourers." ("Are Gig Workers a Part of India's Labour Data?", 2025) This results in statistical invisibility, making it difficult to estimate the sector's true size or contribution (NITI Aayog, 2022; ILO, 2024). Policymakers rely primarily on PLFS data for policy design, and the absence of a clear classification causes gig workers to be incorrectly represented in welfare and insurance schemes.

Low registration rates on online databases further aggravate this invisibility. The e-Shram portal, introduced in 2021 as a National Database for Unorganised Workers (NDUW), facilitates self-registration and provides a Universal Account Number (UAN) to access social welfare schemes, including life insurance, disability cover, and the PM Jan Arogya Yojana. The August 2025 MoLE report observed that over 30.98 crore unorganised workers, including 3.37 lakh platform workers, had registered (Ministry of Labour and Employment, 2025). The estimated gig workforce is 1 crore in 2024–25, which indicates an underwhelming enrollment rate of ~3.37 % (Press Information Bureau, "Building the Workforce"). This limited participation leads to a significant underestimation of the sector's potential and scale. As a result, despite legal recognition, gig workers are recognised but not adequately represented within India's social protection architecture. A unified and precise classification system is urgently needed to guide data-driven policymaking and ensure inclusion across all government programs.

B. Impact of RBI Regulatory Tightening on Gig Worker Credit

The tightening of lending regulations by the RBI has significantly constrained the capacity of NBFCs to extend credit to high-risk borrowers such as gig workers. In November 2024, the RBI increased the risk weights [1] on certain categories of unsecured loans by 25 percentage points (Appendix Figure 2). This regulatory tightening requires lenders, including NBFCs, to hold additional capital reserves against their loan books. This aimed to address rising concerns over non-performing assets in unsecured loan segments. However, it simultaneously raises the cost of credit, thereby discouraging lending to high-risk borrowers, which includes gig workers. The need of the hour is to de-risk NBFC loans to increase the gig workers' access to credit.

III. Policy Recommendation

To solve these issues, we propose a two-prong approach.

A. Enhanced E-Shram

The existing E-Shram portal should be revised in the following manner:

1. Unified Gig Worker Registry

The E-Shram portal should be unified with the PLFS database to ensure consistency in gig worker identification and count by both parties. Registering gig workers as a separate category, rather than grouping them with informal workers, will ensure that welfare schemes can be accurately disseminated and targeted.

To ensure the database is consistently being updated, any platforms, agencies or businesses hiring gig workers must mandate their workers to register on the E-Shram platform.

[1] **Risk Weighted Assets:** Lenders must hold minimum capital against their assets to stay solvent; higher risk weights on an asset require more capital, increasing costs (Gibson, 2025)

2. Credit Tracking Database/Function

The E-Shram Portal should be modified to include a database that tracks the creditworthiness of a gig worker by using alternate measurements like transaction history, platform ratings, number of days logged, service completion rates and more.

This database shall act as a credit history for the gig worker, which exists independently of whether they have taken out a loan or not. When the gig worker does want to take out a loan, this database will act as an indicator of creditworthiness that they can present to a wider range of lenders like NBFCs, banks and government agencies.

A similar program was piloted in December 2024 by the RBI Innovation Hub, which promoted lending institutions to utilise such alternate methods, alongside traditional bank guidelines, to lend to various categories of borrowers. With 600,000 loans worth ₹27,000 cr already provided by the program, this provides proof in support of the policy. (The Economic Times, 2025)

B. Enhancing NBFC lending

The NBFC lending framework and process should be revised in the following manner:

1. First Loss Default Guarantee (FLDG) for NBFCs

We propose the First Loss Default Guarantee to be a government payout to lenders to cover losses from the first default on any unsecured loan. Here, the refinancing rate is the percentage of the first loss covered by the scheme.

The Pradhan Mantri Micro Units Development Refinance Agency Yojana (PM MUDRA) scheme framework follows a similar approach. Through the National Credit Guarantee Trust Scheme, they provide "refinancing" funds to credit lending institutions to cover their first default losses, incentivising them to give out more unsecured loans. (NITI Aayog, 2023). The current scheme only covers entrepreneurs starting their own MSMEs.

Creating a similar policy for gig workers, who face severe credit constraints, would enable them to access loans for skill enhancement, technology/asset upgrades, and essential consumption.

2. Increase coverage for Base Layer and Middle layer NBFCs

Amidst the ongoing monetary tightening from the RBI (Gopakumar, Kumar, Kaystha, 2024), NBFCs also faced a credit crunch from their parent bank due to an increasing worry of non-performing assets, leading to a reduced number of unsecured loans.

To incentivise NBFCs to give out more unsecured loans, we propose expanding the current refinancing rate from 15% → 30% for Base layer and Middle Layer NBFCs (Appendix Figure 3). This increased coverage de-risks the currently risky unsecured loans to this segment, which incentivises NBFCs to give more loans to this sector. This increases credit access for gig workers.

3. Removal of Guarantee Fee for Private Institutions

Under the PMMY scheme, private institutions (including NBFCs) must pay a fee to access the first loss guarantee. This is to account for the risk taken on by the government and to generate additional revenue. However, private lending institutions say that this fee increases refinancing costs beyond the actual funds received on defaults. (NITI Aayog, 2023)
Eliminating this fee will help unlock a greater number of loans from NBFCs and private banks. These banks are particularly sensitive to small increases in non-performing assets, so they are hesitant to give out unsecured loans in the first place. If the refinancing is not able to cushion their losses, this policy will not lead to the desired outcome of increasing the number of unsecured loans disbursed. (NITI Aayog, 2023). The funds from the fee can be sourced from SIDBI or from channelling stipends or subsidies given by the MoLE (Ministry of Labour and Employment) and the MoSD (Ministry of Skill Development). This will help gig economy workers to access more credit without adding further strain to the fiscal deficit. The PMMY scheme resulted in a refinancing-to-loan-disbursement[2] rate well under 3%, ensuring payout from the government was minimal (NITI Aayog, 2023).

Once the credit lending institutions have sufficient reason to trust the concept of unsecured loans, the fee payment for the guarantee can be gradually reintroduced as an additional revenue source for the government. This can be done over a timeframe of 5 years, to accurately gauge the effectiveness of the policy.

4. Loan Categories and Upgrade Mechanism

Loans are to be given out in three categories (borrowed from PMMY): Under ₹50,000 (Shishu), between ₹50,001 and ₹5,00,000 (Kishore) and ₹5,00,000 to ₹10,00,000 (Tarun) (Appendix Figure 4). This framework is borrowed due to its tiered approach in credit progression. The Shishu categories reflect the loans that will assess the repayment ability, whereas the Kishore and Tarun categories will focus on skill and technology upgradation.

Stringent checks are required before moving people from one category of unsecured loans to another.

[2] **Refinancing to Loan disbursement rate:** The total government payout in refinancing as a percentage of the total amount in loans disbursed (Twin, 2025)

As observed in the PMMY scheme, borrowers can pay off loans under 50K. As observed by NITI Aayog (2023), the loans under the Kishore Category have the highest number of non-performing assets, at a staggering 16% of the loan disbursement rate (see Appendix A.4). Using the revamped database on gig workers, we propose that all borrowers initially receive loans under 50K. Only after building a good repayment record, augmented by worker history and credit viability, should they be upgraded to the next loan category.

5. Simplifying Bureaucratic Procedures

The process of filing for refinancing funds in case of first loss is cumbersome (NITI Aayog, 2023). There is a lot of information that the credit institutions do not have access to, and thus increasing their client contact time as well as being asked to submit the relevant documentation in unknown and inaccessible formats, which increases the claim submission and processing time.

The centralised database will help reduce the first problem since both the institution and the government will already have the relevant data on the borrower. The latter can be changed via easier and more transparent claim processing and claim progress tracking mechanisms that ensure both are being done promptly.

Summary of recommendations:

1. Enhanced E-Shram portal to include an alternate credit tracking function, along with cohesion with the PLFS.
2. Mandating platforms, agencies and businesses to have their contact workers register on the E-Shram portal.
3. Enhancing NBFC credit lending by introducing a First Loss Guarantee on Loans to gig workers.
4. Removal of the guarantee fee for private lending institutions, increasing coverage, fixing the loan upgrade mechanism and reducing bureaucratic red tape.

IV. Conclusion

This paper identified two key gaps: the incomplete identification of gig workers and restricted credit access due to regulatory tightening. The proposed two-pronged framework, an enhanced E-Shram portal and strengthened NBFC lending mechanisms, address these challenges. India's credit landscape for gig workers remains fragmented and exclusionary, as formal banks rarely lend to them, leaving NBFCs and fintech platforms to fill this gap. By implementing a First Loss Default Guarantee and easing constraints on NBFC lending, the government can enable affordable, large-scale credit access and strengthen the economic stability of India's gig workforce.

To reach the full potential of these policy recommendations, firstly, a financial literacy module could be integrated into E-Shram and platform aggregators to educate workers on government schemes like the National Strategy for Financial Inclusion (NSFI) and responsible financial practices (Press Information Bureau, 2025). Secondly, implementing policies that ensure equitable pay and robust safety measures would build on the positive trend of women's labour force participation in the gig economy. Altogether, the policy will see an upward trend in credit access to gig workers with these reforms.

Appendix

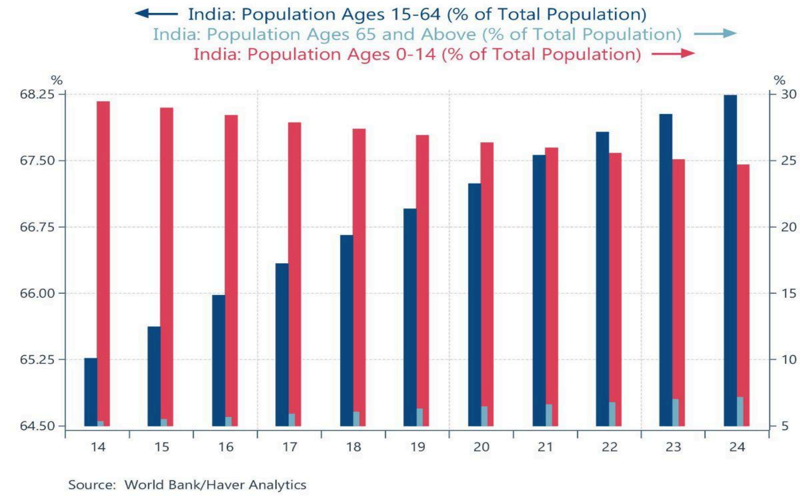


Figure 1. Population Breakdown (India), Source: Haver

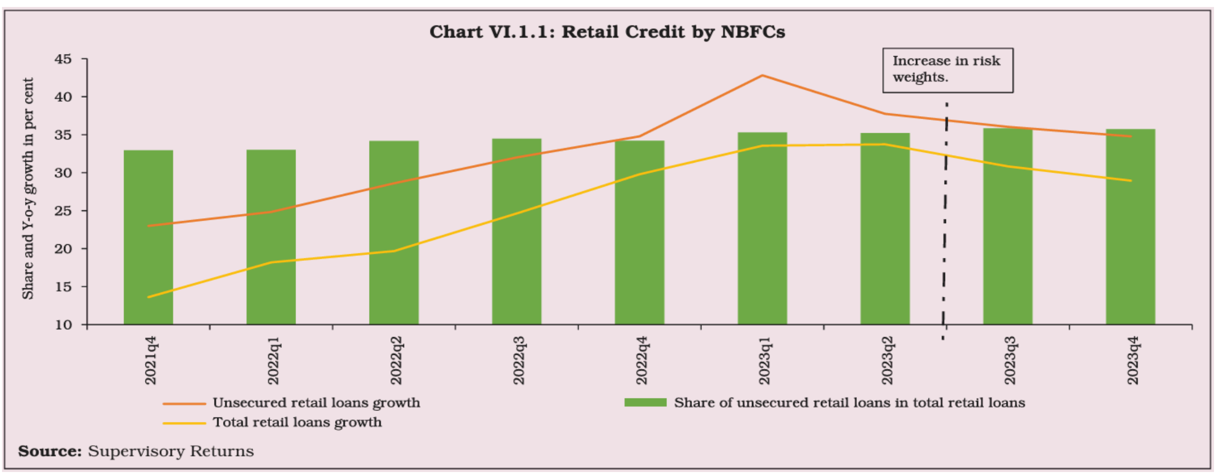


Figure 2. Retail Credit by NBFCs, Source: RBI

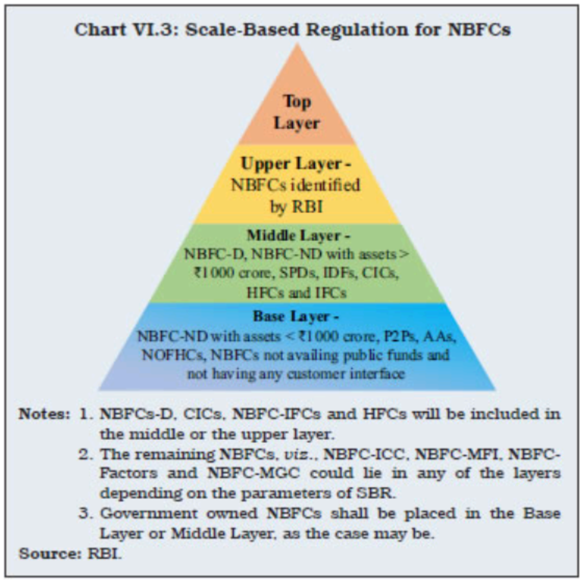
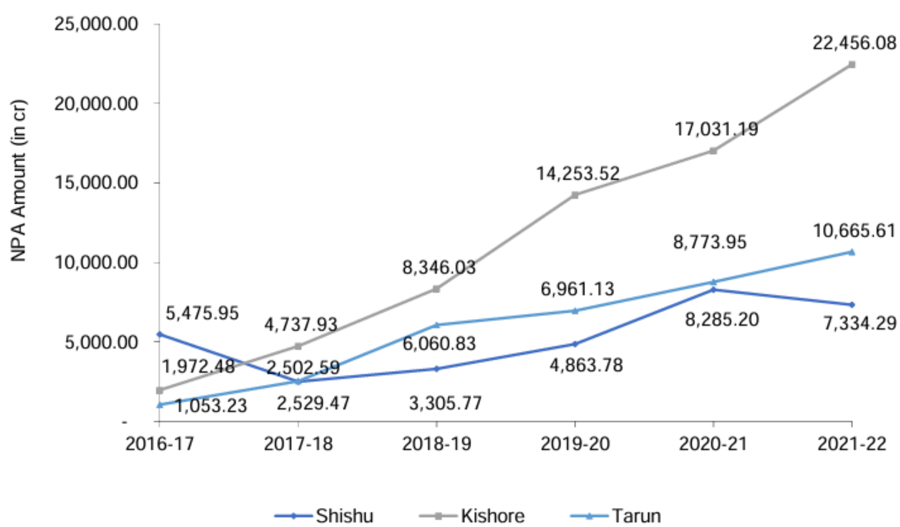


Figure 3. Scale-Based Regulations of NBFCs, Source: RBI



Source: MUDRA Ltd.

Figure 4. Total NPA Amount category-wise

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