

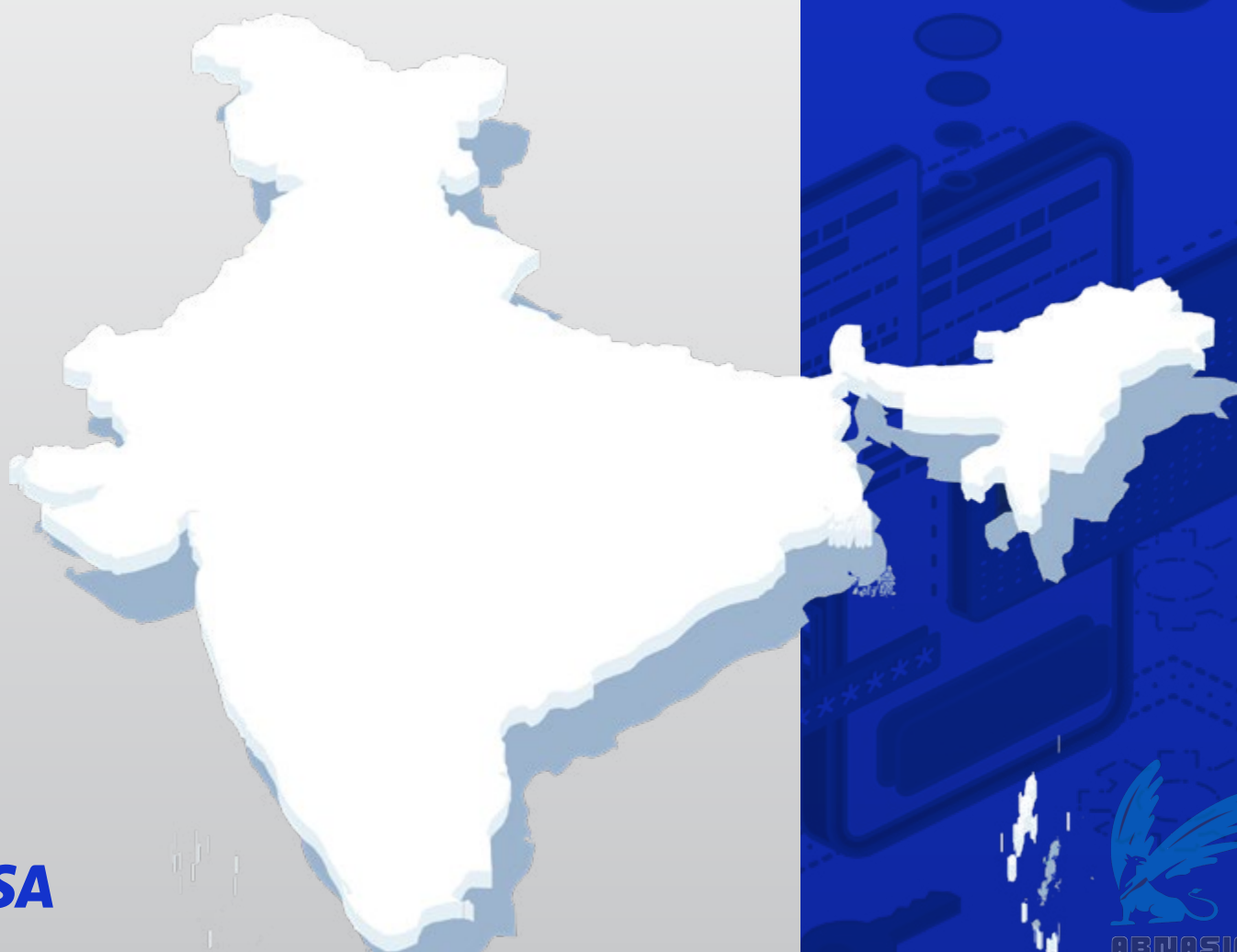
# 2024

---



**India Edition**

# The Embedded Lending Opportunity



**VISA**



ABNASIA.ORG

# 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**



04  
**What's  
at stake**



06  
**Key  
findings**



23  
**Conclusion**



24  
**Methodology**



**VISA**  
ABNASHA.ORG

# 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).

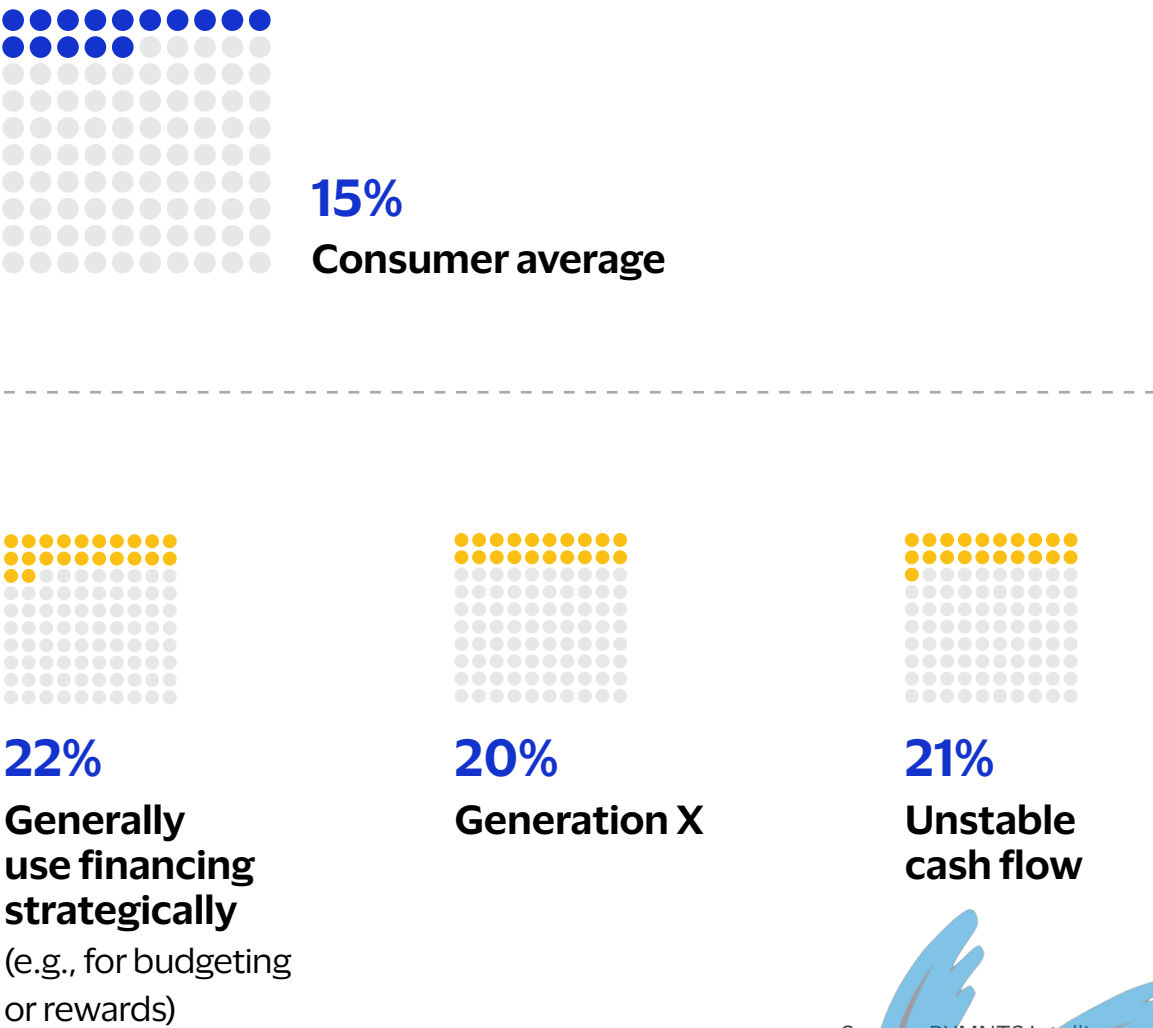
# Embedded lending is gaining substantial popularity in India, especially among microbusinesses and small businesses.

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



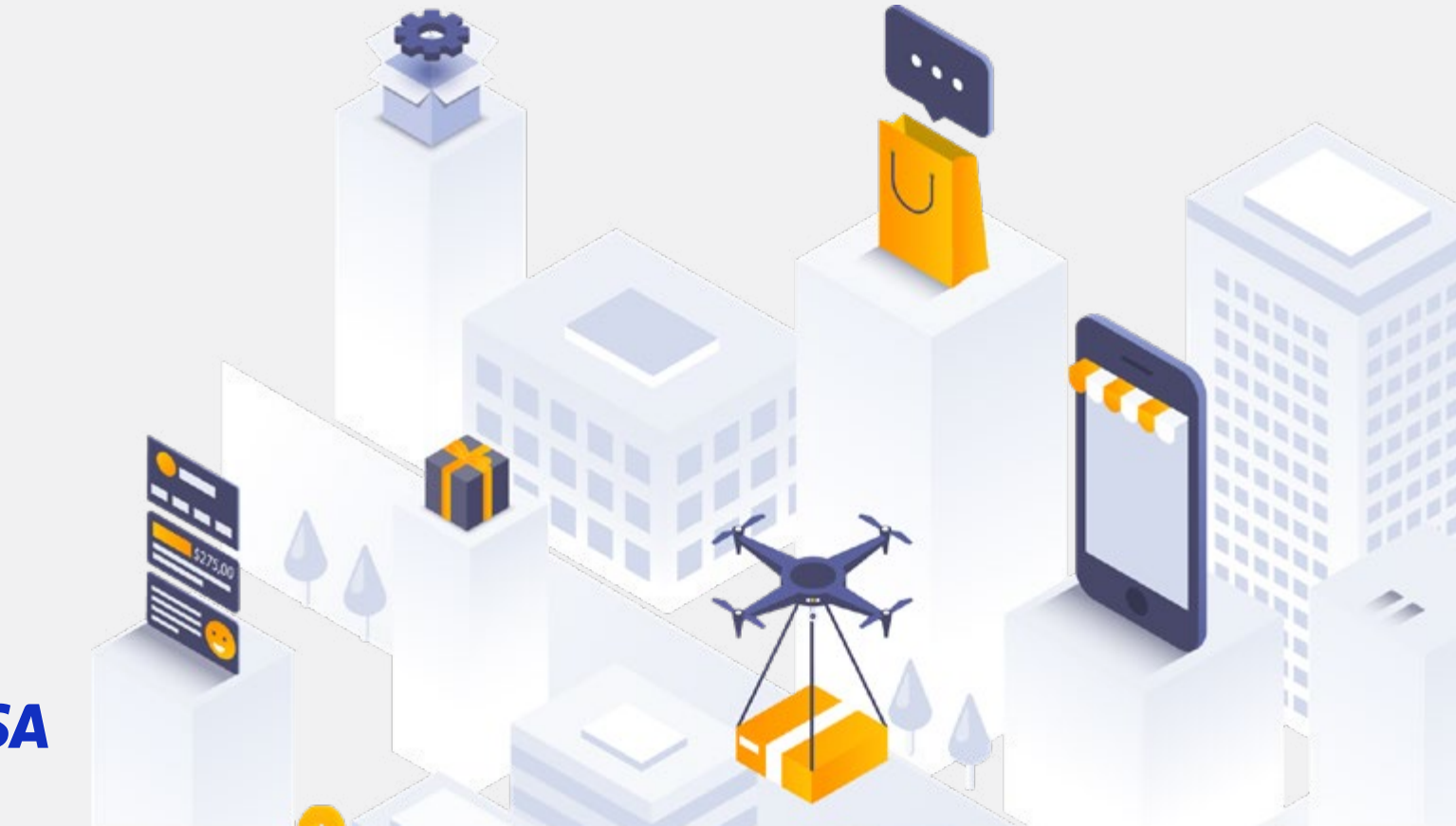
Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: India Edition, September 2024**  
N = 1,065: Complete consumer responses for India, fielded Jan. 22, 2024 – Feb. 13, 2024



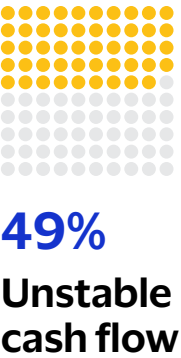
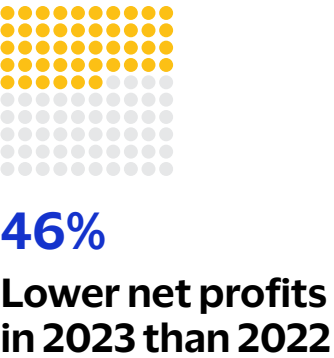
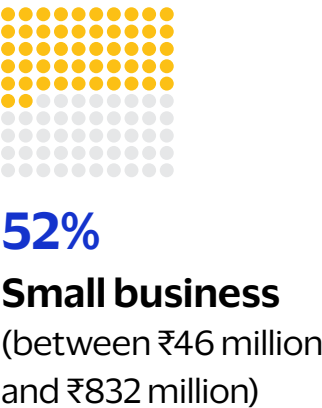
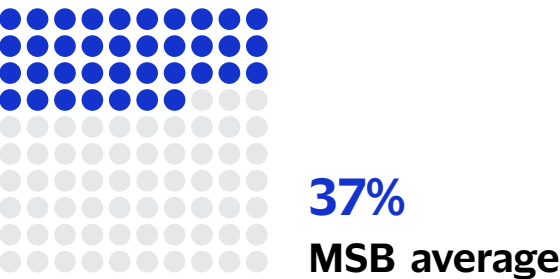


Data also reveals elevated use among some key segments. For example, 20% of Gen X consumers in India used embedded lending recently, and local Generation Z consumers also used it at a higher-than-average rate of 18%. Notably, 22% of consumers who use financing strategically did the same, highlighting 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%                        |

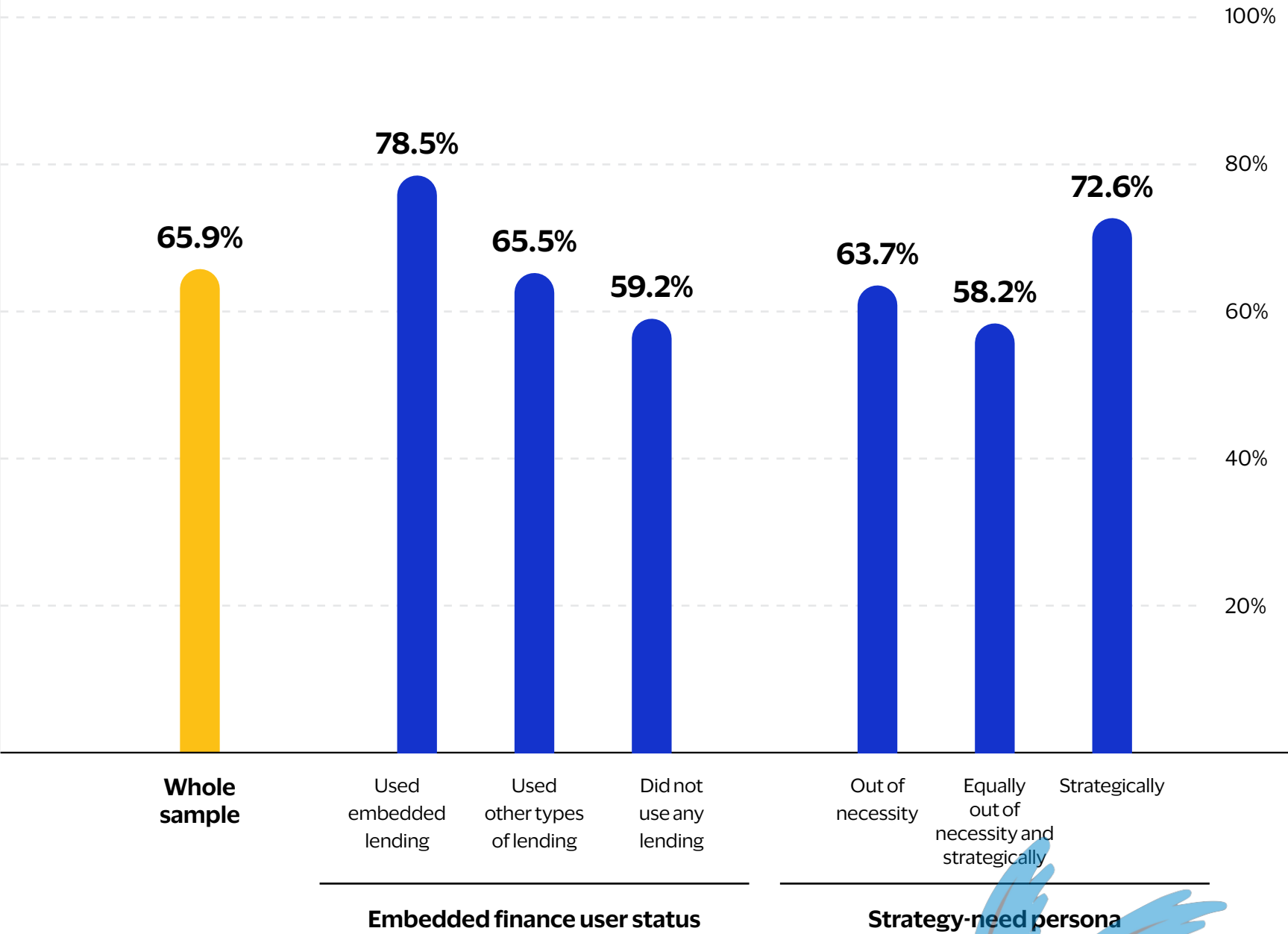
Source: PYMNTS Intelligence  
**The Embedded Lending Opportunity: India Edition, September 2024**  
N = 693: Complete India MSB responses, fielded Jan. 19, 2024 – Feb. 26, 2024

# 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

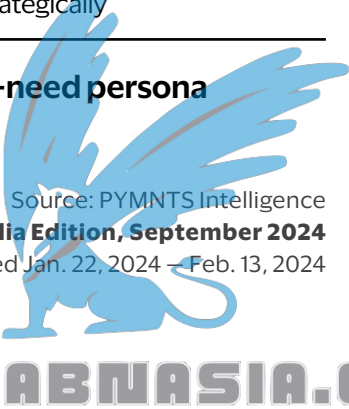




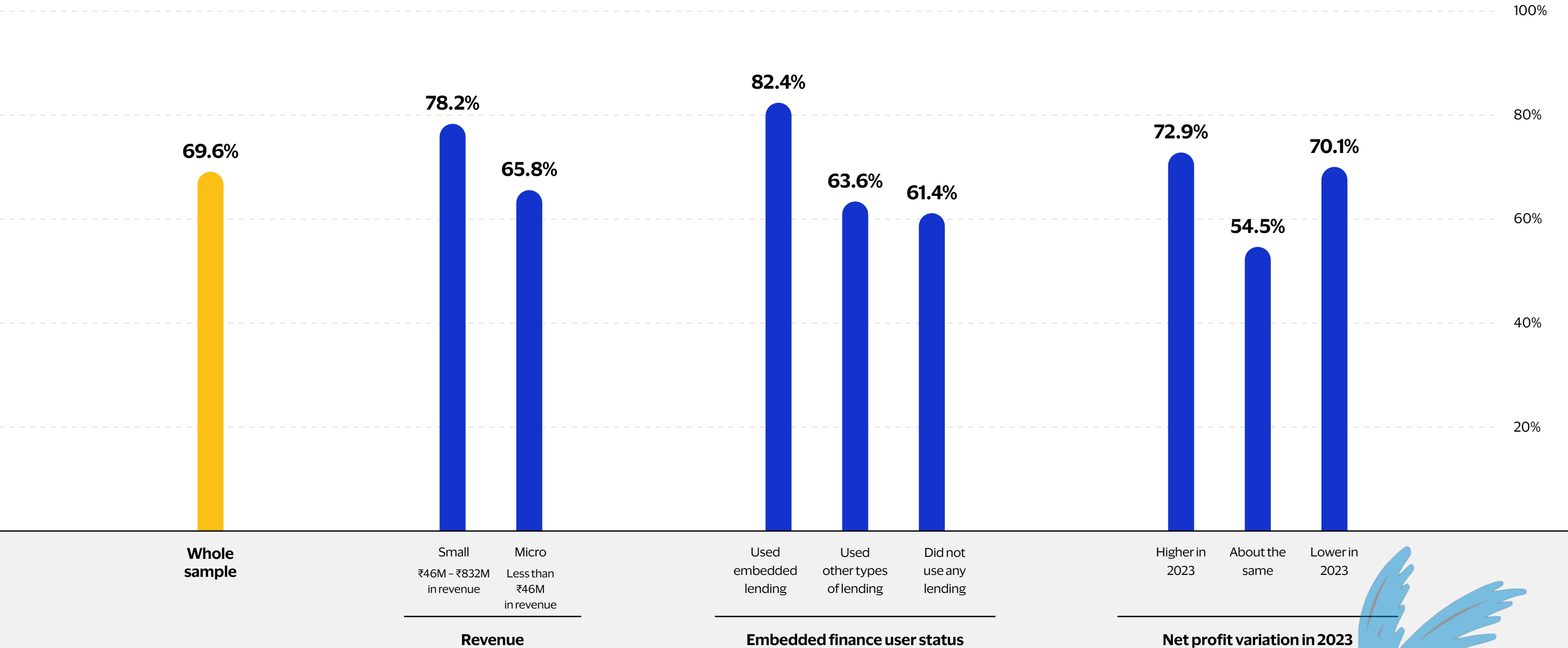
Figure 5B:

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  
N = 693: Complete India MSB responses, fielded Jan. 19, 2024 – Feb. 26, 2024

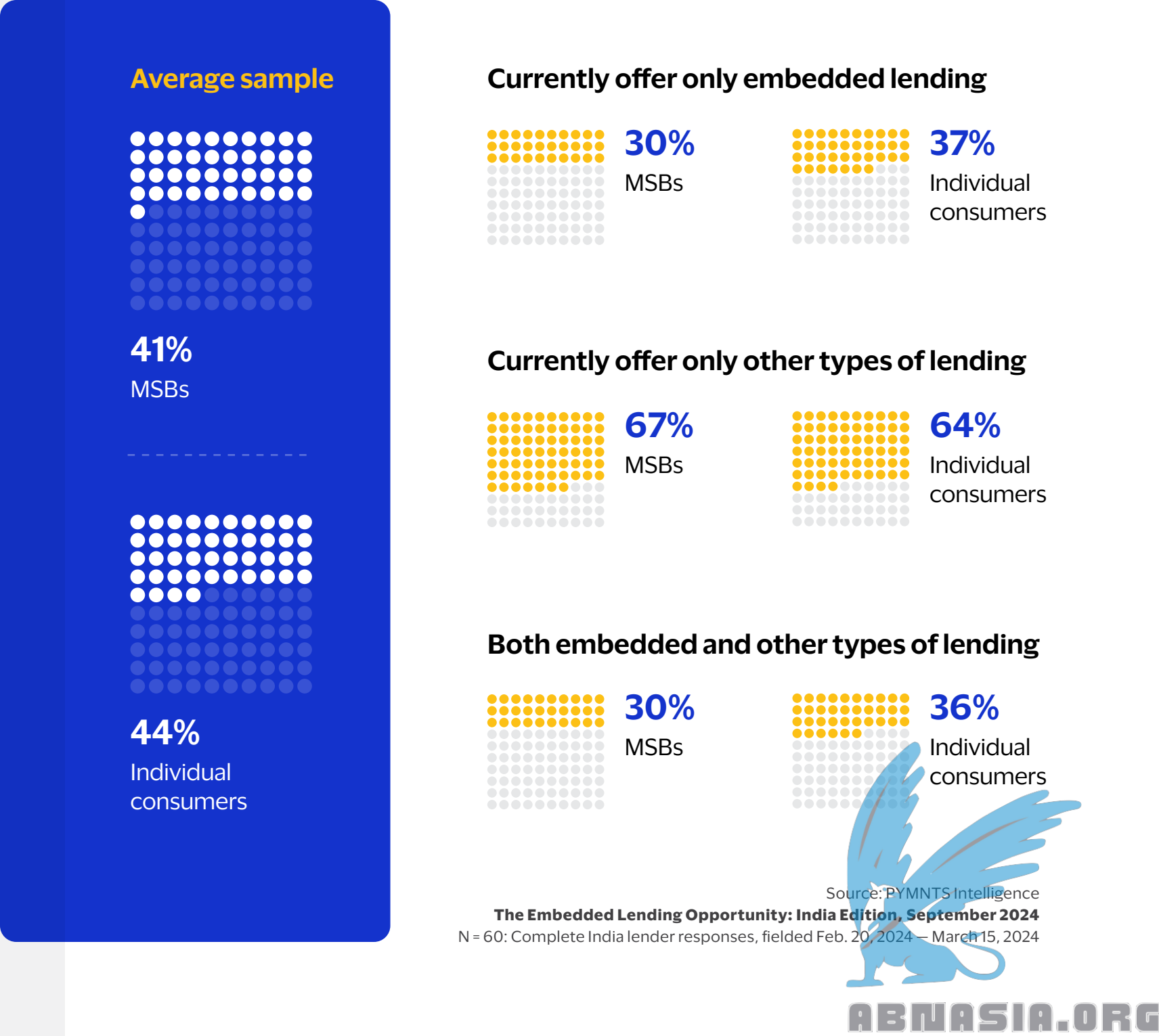


# Over 4 in 10 lenders in India are highly interested in launching new embedded lending products, reflecting broad-based enthusiasm in this space.

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. ”

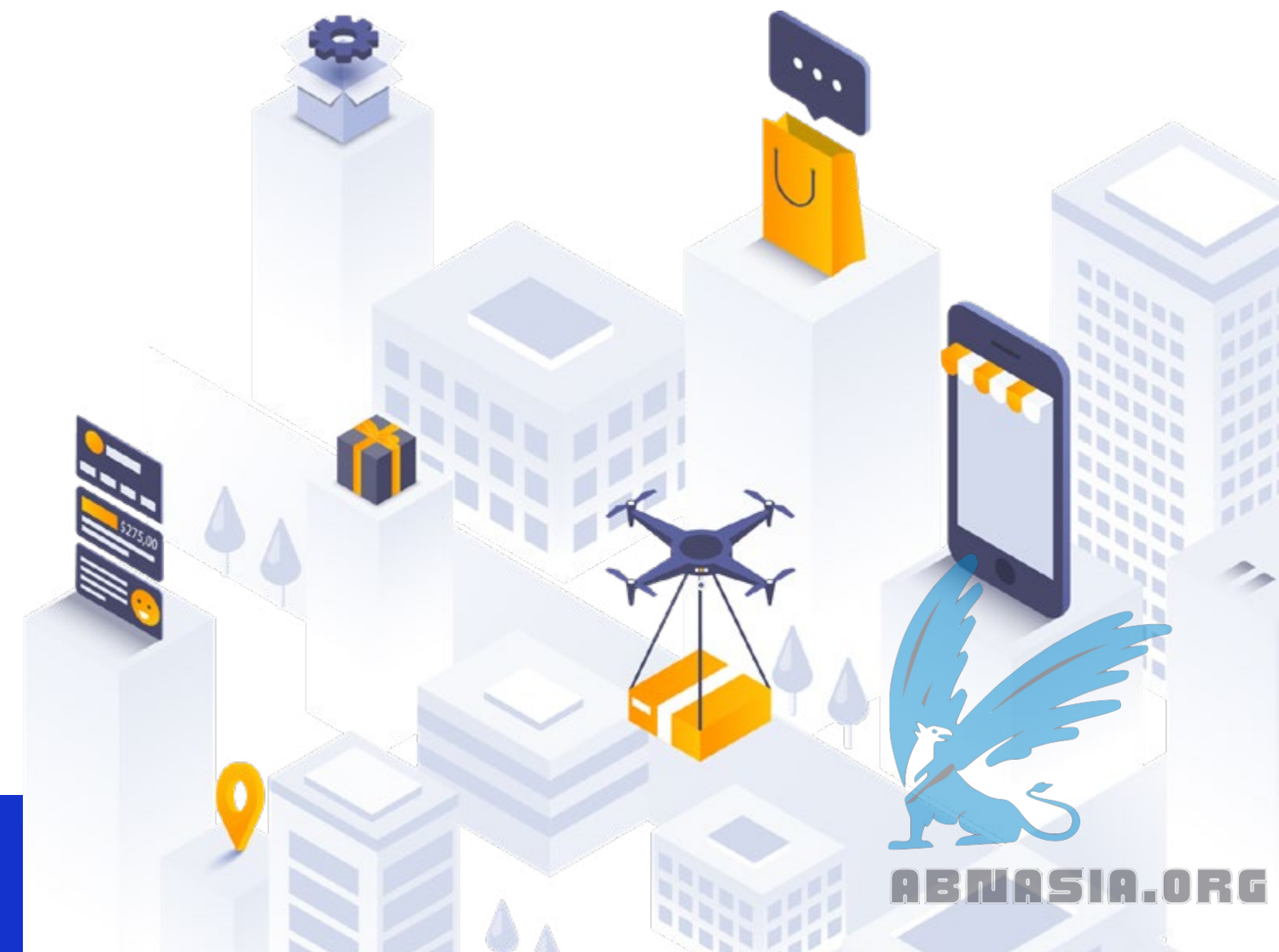
— Executive from a FinTech generating between \$1 million and \$10 million in annual revenue

**“ 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  
N = 693: Complete India MSB responses, fielded Jan. 19, 2024 – Feb. 26, 2024

## 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



About



Visa Inc. (NYSE: V) is the world’s leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network — enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world and is capable of handling more than 65,000 transaction messages a second. The company’s relentless focus on innovation is a catalyst for the rapid growth of digital commerce on any device, for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce. For more information, visit [www.visa.com](http://www.visa.com), <https://usa.visa.com/solutions/visa-business-solutions.html> and [Visa Commercial Solutions: Overview | LinkedIn](#).

PYMNTS  
INTELLIGENCE

[PYMNTS Intelligence](#) is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what’s now and what’s next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts, and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world’s leading publicly traded and privately held firms.

Disclaimer ●

The Embedded Lending Opportunity: India Edition may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED “AS IS” AND ON AN “AS AVAILABLE” BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS is the property of PYMNTS and cannot be reproduced without its prior written permission.

