# Indian fintech sector faces challenges but anticipates transformation through AI



The fintech sector in India is navigating a challenging landscape marked by recent funding declines, yet experts predict transformative changes ahead due to advancements in artificial intelligence (AI). According to a report by Inc42’s Annual Funding Report for 2024, the industry experienced a significant downturn, with funding raised by Indian fintech ventures decreasing by 19% to $2.5 billion, down from $3.1 billion in the previous year. This decline marks the third consecutive year of funding drops, returning the sector to pre-2021 levels.

Despite these financial challenges, the overall Indian startup ecosystem saw a renewed influx of investment in 2024, with funding increasing by 20% year-on-year to over $12 billion. However, the fintech sector, although leading in total funding, lagged behind sectors such as e-commerce and enterprise technology in terms of deal volume. This was notably attributed to cautious investors steering clear of late-stage deals, with the number of fintech mega deals—defined as those over $100 million—halving from twelve deals in the previous year to just six.

On a more positive note, the total number of deals in the fintech sector increased by 23% to 162 in 2024 compared to 132 in 2023. Alongside this, the median funding amount also rose considerably, climbing 32% to $5.4 million from $4.1 million. However, it remains below the 2021 and 2022 figures of $6 million and $6.4 million, respectively.

The fintech landscape saw significant milestones in 2024, crossing the $30 billion mark in cumulative funding since its inception. The influx of two new unicorns, Moneyview and Perfios, was complemented by major deals secured by companies like Finova Capital, Drip Capital, and M2P, which received funding exceeding $100 million each.

Bengaluru continues to be the beating heart of the Indian fintech scene, where local startups have attracted over $10 billion in funding over the past decade. Meanwhile, the National Capital Region (NCR) also contributed a similar amount, while Mumbai’s fintech ventures raised approximately $5 billion.

Looking ahead, 2025 is anticipated to bring more disruption to the fintech sector, particularly driven by the integration of AI technologies. Industry specialists predict that these advancements could lead to innovative advisory and underwriting models that redefine traditional practices within the sector. However, regulatory challenges, particularly concerning compliance for payment platforms, are expected to persist.

Additionally, competition within the sector is poised to intensify, notably with Jio Financial Services expected to expand aggressively, further complicating the landscape for established players such as CRED, Groww, and PhonePe.

As the fintech industry braces for potential upheaval and new entrants in the market, investors are closely monitoring developments in anticipation of a robust 2025. The interplay between regulatory measures and technological advancements is set to play a crucial role in shaping the future of the fintech ecosystem in India.

Source: [Noah Wire Services](https://www.noahwire.com)

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