

FACE and CFI launch India's first Fintech Lending Risk Barometer, identify illegal lending, cyber frauds, and data privacy as the top three risks

Delhi/Mumbai, 18th Jan 2023: To systematically identify and assess the risks in the fintech industry, [Fintech Association for Consumer Empowerment \(FACE\)](#) and [Center for Financial Inclusion \(CFI\)](#) announced the launch of India's first [Fintech Lending Risk Barometer](#) today. This risk barometer study aims to create a systematic baseline of emerging risks and is part of a market monitoring exercise to understand how risks change and how stakeholders perceive these risks as the Indian fintech lending sector evolves.

Commenting on the launch of the barometer, Sugandh Saxena, CEO at FACE, said, *"Uniform and common awareness and assessment of risks are core to the fintech lending industry to address them individually and collectively. Evidence allows the industry to prioritise and act decisively in addressing the risks to create a safer lending ecosystem for the customers. The ranking of risks will change over time for the fintech lending industry, which is still rapidly evolving. As an industry, it is important that we constantly and collectively share our experiences and information. This risk barometer by periodically monitoring emerging risks can provide a sense of opportunities and dangers that must be addressed for a healthier digital lending ecosystem."*

"Effective market conduct supervision depends on the timely identification of market risks and understanding how these risks evolve with market growth and development. The new report draws on CFI's global experience in consumer protection and FACE's deep knowledge of the Indian market to provide actionable insights for the fintech lending market in India, and for other emerging markets where digital lending is present and evolving," said **Jayshree Venkatesan, Director, Consumer Protection & Responsible Finance, CFI.**

The insights are from a survey conducted amongst 40 industry stakeholder lenders and non-lenders, including think tanks, consumer associations, and investors. Some of the key trends in the [Fintech Lending Risk Barometer](#) include:

- Survey participants, regardless of their role in the fintech lending ecosystem, identified unlawful fintech lenders as the foremost risk. Such illegal lenders or lending apps harm consumers with unethical practices and create reputational and other risks for the regulated fintech lending industry.
- Cyber fraud was ranked No. 2 when it came to risk to the fintech industry, with 83% of all respondents ranking cyber fraud under a severe risk category to the industry.
- Data privacy was ranked No. 3 regarding risk to the fintech industry, with 73% of all respondents ranking data privacy as a severe risk to the industry. Lenders were explicitly concerned about the lack of clarity on data ownership, compliance, and robust mechanisms to protect and appropriately use consumer data they access.
- While overall, funding was ranked No. 8, lenders ranked funding risk as the third highest risk. Fifty-seven percent of all respondents ranked funding as a severe risk to the fintech lending industry; the reason being inequitable access to capital among fintech lenders.
- Macroeconomic situation, hiring talent, and rising competition ranked as the lowest risks by both lenders and non-lenders.

The study followed a mixed methods approach. A survey method was used to gather initial perceptions of risks. This was followed by a series of qualitative interviews with select respondents to deepen their

understanding of emerging risks and how they impact consumer lives. For each risk, the survey sought ranking from the participants on a scale of 1-7, one being the lowest severity risk and seven being the highest. The survey also captured comments and feedback from survey participants on these risks and the top three opportunities.

About FACE:

Fintech Association for Consumer Empowerment (FACE), an industry association and self-regulatory body for fintech lenders set up as a non-profit company in Sep 2020. FACE brings together fintech lenders (regulated balance-sheet lenders and platforms/aggregators partnering with the regulated balance-sheet lenders) and other stakeholders committed to advancing fair and responsible digital lending practices through self-regulation and customer-centricity. FACE members account for nearly half of India's fintech retail lending business and abide by the FACE Code of Conduct.

Working with the fintech lenders and other ecosystem players, FACE pursues customer empowerment through its body of work, including policy advocacy, knowledge, standards, market monitoring, and customer insights.

For more information, visit <https://faceofindia.org/>

About CFI:

The Center for Financial Inclusion (CFI) works to advance inclusive financial services for the billions of people who currently lack the financial tools needed to improve their lives and prosper. We leverage partnerships to conduct rigorous research and test promising solutions, and then advocate for evidence-based change. CFI was founded by Accion in 2008 to serve as an independent think tank on inclusive finance.

For more information, visit www.centerforfinancialinclusion.org/