



FACE & Grant Thornton Bharat Risk Barometer 2024: Unauthorized Lenders, Cyber Fraud, and Regulatory & Compliance Challenges Dominate Concerns

Mumbai, 14 November 2024: The Fintech Association for Consumer Empowerment (FACE), an RBI-recognised Self-Regulatory Organisation in the FinTech Sector (SRO-FT), in collaboration with Grant Thornton Bharat, unveiled the second issue of **FinTech Lending Risk Barometer Report**. This report captures the market perception of the risks in FinTech lending. It aims to serve as a critical industry resource, evaluating and monitoring the evolving risk landscape within India's dynamic FinTech lending ecosystem.

Sugandh Saxena, CEO of FACE, underscored the report's importance, *"The findings of the FinTech Lending Risk Barometer give us market speak on the top risks and give us grounds to rally the collective actions to address them on priority. The top risks highlighted are interconnected and require coordinated and concerted engagement within the ecosystem. By facilitating continuous dialogue and collaboration, we can safeguard consumer interests and create a robust ecosystem that supports innovation, stability, and financial inclusion."*

Commenting on the launch of the report, **Rohan Lakhiyar, Partner, Grant Thornton Bharat** said, *"The FinTech lending landscape in India is evolving at an extraordinary pace, presenting both immense opportunities and significant risks. Through this collaboration with FACE, we aim to bring clarity and actionable insights to the industry. Understanding and proactively managing risks—be it regulatory, cybersecurity, or market conduct—is essential for fostering an environment that encourages innovation while safeguarding consumer interests. As trusted advisors, we are committed to supporting the FinTech community in navigating these challenges, enabling sustainable growth and resilience in a rapidly shifting digital economy."*

Key Findings of the Fintech Lending Risk Barometer Report 2024:

- 1. Unauthorized Fintech Lenders Remain the Top Risk:** With a severity score of 6.1 on a scale of 7, 74% of respondents identified unauthorised lenders as a critical threat to consumer trust and industry stability. The call for regulatory intervention is strong, as only 6% view this risk as low. While significant progress has been made in addressing the issue, the adverse impact of unauthorised loan apps means that the market continues to rank this as the highest risk.
- 2. Cyber Fraud and Crime Pose Significant Threats:** Cybersecurity continues to be a pressing issue, with 68% of respondents rating it as high risk. The increasing sophistication of cyber threats endangers consumers, undermines their trust in digital loans and risks provoking more stringent regulatory requirements, which could impact the entire FinTech ecosystem.
- 3. Pace of Regulatory Developments Creates Uncertainty:** Fast-evolving regulatory changes are viewed as high risk by 61% of respondents, complicating compliance and bearing on



funding and innovation. The report calls for a policy framework that supports consumer interests and sustainable and predictable business environment.

4. **Compliance Impact Lenders:** Rated high risk by 61% of respondents, compliance challenges, with a severity score of 5.7 on a scale of 7, are particularly pressing for lenders. The market opines that compliance risks have multiple consequences, including reputation, partnerships, operations and technology.
5. **Unfair Conduct Practices Damage Industry Reputation:** 46% of respondents flagged aggressive marketing and unethical collection practices as high risk. The report emphasises that addressing these rogue practices is essential for restoring consumer confidence and upholding industry integrity.

Survey Methodology and Insights:

The report is based on a mixed-methods survey conducted from July to September 2024 involving 54 FinTech entities, including 41 lenders and 13 non-lenders. Participants evaluated 23 risks on a 7-point severity scale, offering detailed insights into perceived threats and risk mitigation strategies. The inclusion of diverse stakeholders, such as think tanks, consumer associations, and investors, provides a holistic view of the FinTech lending risk landscape.

To download the full report, please visit/ please click here: <https://faceofindia.org/wp-content/uploads/2024/11/Fintech-Lending-Risk-Barometer-2024.pdf>

About FACE: The Fintech Association for Consumer Empowerment (FACE), an RBI-recognised self-regulatory organisation in the FinTech Sector (SRO-FT), is dedicated to fostering a responsible and consumer-centric Fintech ecosystem in India. Established as a non-profit in 2020, FACE brings together FinTech companies and other stakeholders to promote transparency, data privacy, and consumer protection. By engaging with the RBI, government bodies, and industry players, FACE aims to advance fair practices and empower consumers, ensuring the Fintech sector's sustainable growth and positive societal impact.

About Grant Thornton Bharat: Grant Thornton (GT) Bharat is a leading professional services firm in India, offering a comprehensive range of services including assurance, consulting, tax, risk, and digital transformation. As a member of Grant Thornton International Ltd, GT Bharat combines local expertise with global insights to help businesses navigate complex challenges and unlock growth potential. With a strong presence across major Indian cities, GT Bharat is committed to shaping vibrant ecosystems through innovative solutions and sustainable business practices.