RBIH EXCLUSIVE INSIGHTS

Bridging Trust and Technology: Fostering FinTech Innovation in India's North East Region



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CEO's Preface



The Reserve Bank Innovation Hub (RBIH) is dedicated to fostering a dynamic and inclusive financial technology (FinTech) ecosystem across India. Our commitment extends to the North Eastern Region (NER), a vibrant and diverse part of our country with immense potential for FinTech innovation and growth.

Our initiative, FinTech in North East (FiNEST), is a step toward unlocking the region's economic potential through digital financial inclusion. This comprehensive study, envisioned in collaboration with the Ministry of Development of North Eastern Region (MDoNER) and conducted by MSC (MicroSave Consulting), addresses the unique opportunities and challenges within the NER's FinTech landscape.

The report provides an in-depth analysis of the FinTech sector in the NER along with key insights identified through extensive stakeholder interviews and field research. It highlights critical areas, such as digital adoption, infrastructure development, and the need for targeted interventions.

Our findings underscore the significant potential for FinTech to revolutionise the NER by enhancing financial access, promoting digital literacy, and nurturing local talent. The recommendations outlined in this report have the potential to establish a thriving FinTech ecosystem in the NER.

We call upon all stakeholders—government bodies, financial institutions, technology providers, educational institutions, venture capitalists, incubators, and entrepreneurs—to join us in this endeavour. Together, we can build and foster a resilient and inclusive FinTech ecosystem that uses local knowledge and hyperlocal expertise to address the distinct needs of the NER while contributing to India's broader economic growth and development.

Let us collaborate to transform the North Eastern Region into a thriving hub of FinTech innovation that sets a benchmark for other regions to follow.

Rajesh Bansal
Chief Executive Officer
Reserve Bank Innovation Hub

Foreward



The past decade has witnessed a profound transformation in the global financial landscape, with FinTech at the forefront of this change. In India, the integration of technology with financial services has accelerated financial inclusion, democratised access, and made services more affordable and accessible. Through the innovative use of digital distribution channels, India's advanced DPI ecosystem have enabled FinTechs to bridge the gap between customers and financial institutions, which has revolutionised access to finance in the last mile.

India's North East Region (NER) is now on the cusp of a similar transformation. This region, with its geographical specialities, low population density, and rich cultural diversity, presents some challenges and yet immense opportunities for financial inclusion. The potential of FinTech to reshape this region's financial ecosystem cannot be overstated. We can use technology and alternate data to overcome these challenges and provide tailored financial solutions to meet the needs of people across sectors, be it agriculture, tourism, healthcare, or education.

The study, undertaken by MicroSave Consulting (MSC) on behalf of the Reserve Bank of India Innovation Hub (RBIH) and the Ministry of Development of North Eastern Region (MDoNER), outlines the foundational steps necessary to build a robust FinTech ecosystem in the NER. This initiative is part of the RBIH's FiNEST program (FinTech in North East), which seeks to transform FinTech into an engine of economic growth for the region. The study emphasises the need for collaboration between various stakeholders, from financial institutions and regulators to local entrepreneurs and innovators. The recommended approach through a Center of Excellence (CoE) for FinTech can serve as a crucial enabler in this ecosystem to foster local talent and expertise and address region-specific challenges.

MSC has long been committed to supporting transformative financial inclusion efforts, and we are excited to contribute towards this mission alongside RBIH. We believe that by fostering partnerships, developing local capacities, and promoting innovation, FinTech can unlock immense potential in the region and drive economic growth and social progress. As we embark on this journey together, we are confident that the NER will emerge as the next frontier for FinTech innovation in India.

Sincerely,

Manoj Sharma
Director
MSC



Executive Summary

From payments to lending, India's FinTech sector has demonstrated its ability to deliver financial services efficiently to underserved populations. However, despite improvements in banking penetration and digital connectivity, the FinTech ecosystem in India's North Eastern Region (NER) remains underdeveloped. At approximately INR 193 billion, the total estimated credit gap in the NER in priority sectors including renewable energy, housing, education, agriculture, SHG and JLG loans indicate the massive opportunity for FinTech innovation in the region.

Challenges to FinTech proliferation in the NER include a lack of founder interest, limited collaboration between financial institutions and FinTech companies, and an underwhelming presence of venture capital and other enabling resources. Macroeconomic barriers, such as low population density, challenging terrain, and limited economic aggregation, further exacerbate these issues.

To address these multifaceted challenges, the report recommends the establishment of a Center of Excellence (CoE) as a collaborative hub for stakeholders, including government bodies, financial institutions, venture capitalists, educational institutions, and entrepreneurs, to pool resources and expertise. By fostering innovation, capacity building, and policy alignment, the CoE could lay a strong foundation for a thriving FinTech ecosystem in the NER.

The study also recommends tailored interventions in the form of top-down and bottom-up approaches to catalyse FinTech innovation in the NER. Securing state government support and incentivising established FinTech companies to invest in the region are crucial steps to build momentum. On the other hand, empowering local entrepreneurs through education, incubation, and mentorship programs can ignite grassroots innovation.

FinTech solutions in agriculture, tourism, and small-scale industries have the potential to unlock significant economic value. Innovations like digital payment platforms, alternative data-driven credit scoring, and InsurTech for disaster resilience can address the region's specific needs while driving financial inclusion and economic growth.

This report offers a clear and actionable path for stakeholders to transform the NER into a thriving FinTech hub. By leveraging the region's unique strengths and addressing its challenges through collaborative and strategic efforts, the NER can emerge as a model for inclusive and sustainable financial technology development in India.

Disclaimer: The views and recommendations expressed in this report are those of the authors and do not represent the views of the Reserve Bank of India.

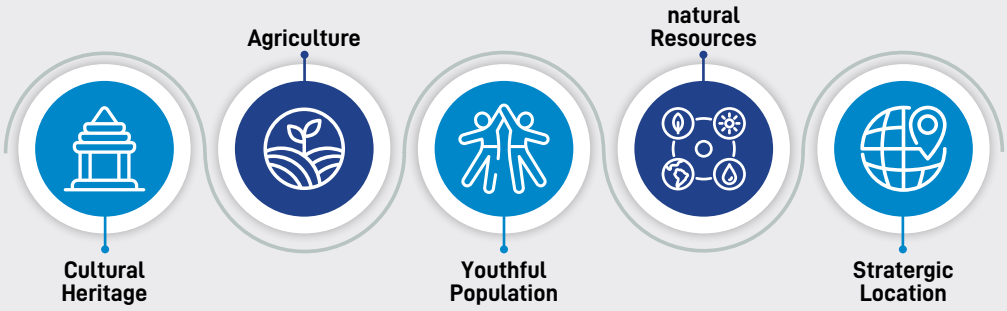
The Digital and Financial Landscape in the NER

1.1 Background of the NER over the years

India's North Eastern Region (NER) has a population of 45 million as per the 2011 census and comprises eight states—Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, and Tripura.

Overall, the NER has a higher proportion of rural population and exceeds 70% in most of the region's states, with the region being home to around 250 ethnic communities. Additionally, due to its remote, mountainous geographical terrain and other socioeconomic factors, the NER, barring Assam, has one of the country's lowest population densities.

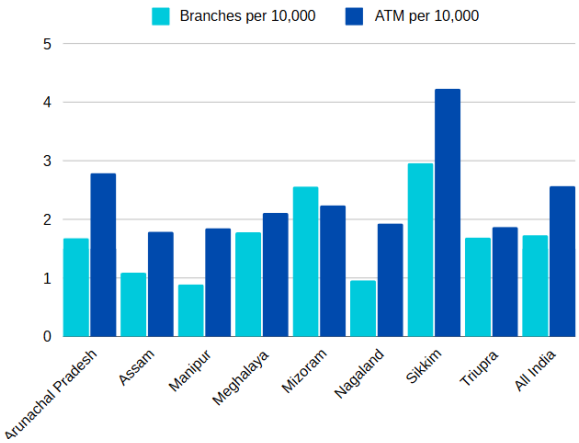
The NER boasts a youthful, relatively well-educated workforce. The literacy level in most states exceeds 60%. This region's human capital, biodiversity, and potential for industries, such as tea, bamboo, and silk production, create a fertile ground for digital innovation.

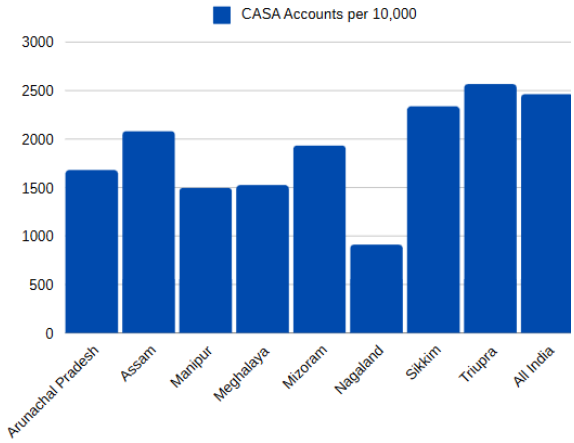


Banking & Digital Payments: As of August 2024, there are approximately 531.3 million accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY) in India. A total of 20 million account holders in the NER are under the PMJDY, with 55.6% of all accounts being held by women and approximately 66.7% of these accounts being located in rural or semi-urban areas. Thus highlighting the schemes' role in empowering female entrepreneurs and geographically underserved populations.

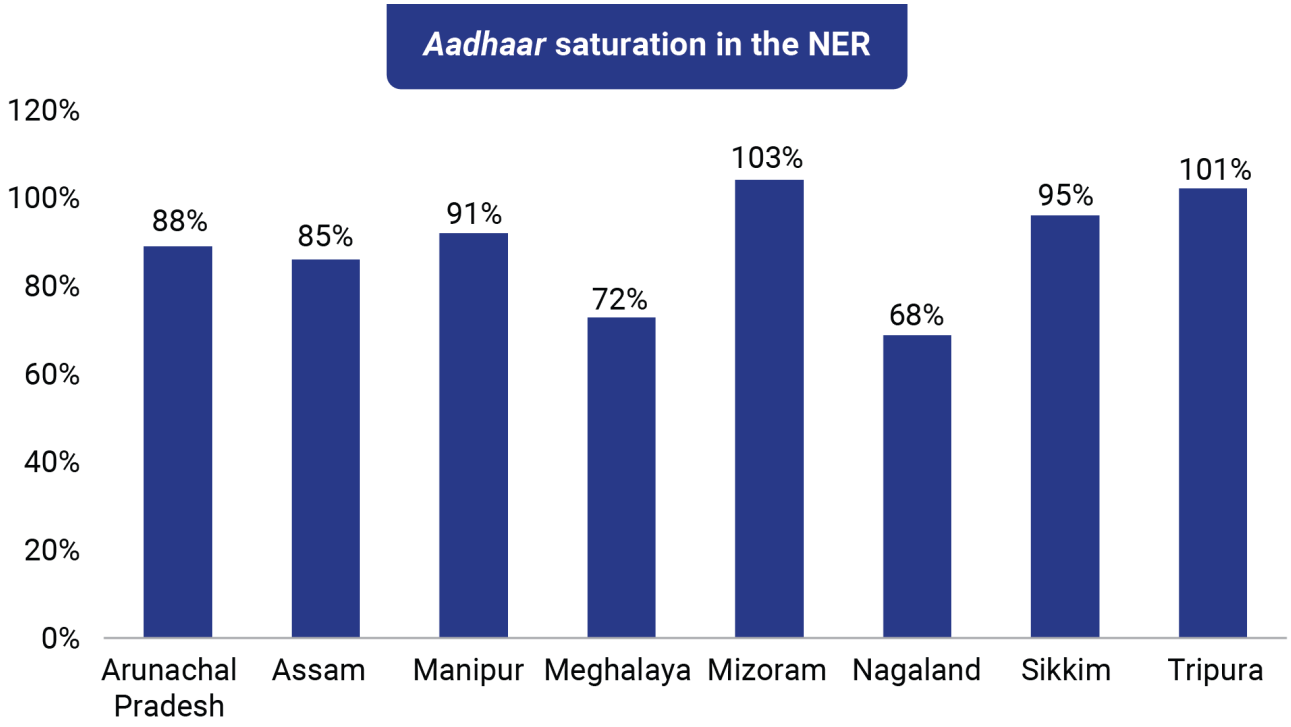
In step with this growth, the banking sector in the NER has expanded its footprint. The credit-to-deposit ratio in the region has increased slightly from 46.1% to 46.4%, while digital payments have seen explosive growth, which has been further fueled by a growing startup ecosystem, with more than 900 DPIIT-recognized startups in the region.

A report from the Ministry of Electronics & Information Technology highlights that UPI has become the dominant payment method, with 58% of the 1.5 million merchants in the region now digitised as of 2022. Assam, in particular, has seen rapid adoption, with more than 250,000 merchants onboarded on the UPI in 2022, a significant leap from just 10,000 in 2020. Additionally, the volume of transactions has surged from 1.48 million in the first quarter of 2018 to more than 75 million in the same period in 2022.



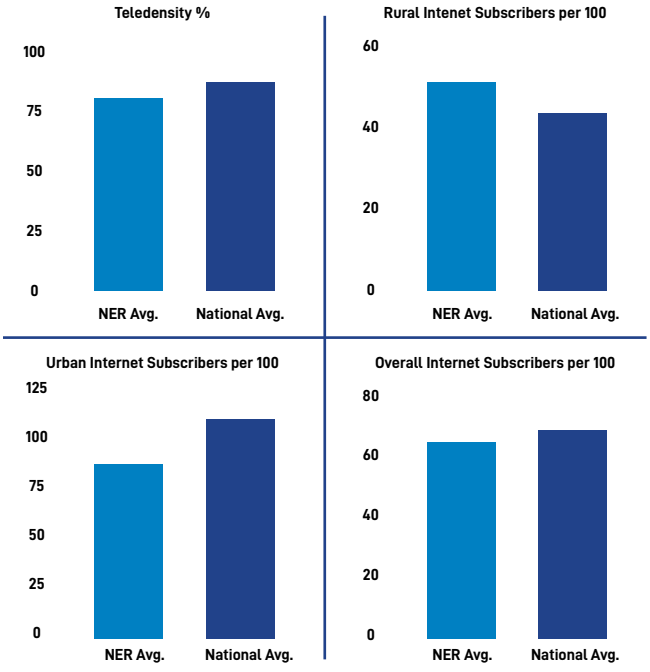


Aadhaar penetration: As per the Unique Identification Authority of India (UIDAI), 99.9% of Indian adults have an Aadhaar card. Aadhaar enrolment in the region has improved significantly since 2018. All states consistently have more than 80% penetration, with Sikkim, Manipur, Mizoram, and Tripura scoring more than 90% enrolment across the population.



Teledensity and Internet connectivity: As per a TRAI report from June 2024, the NER has a teledensity of around 80%, less than the Indian average of 86%. The NER performs better than the national average in rural internet connectivity, with 52 internet subscribers per 100 people compared to the national average of 44. However, it falls behind in urban internet connectivity, with 88 subscribers per 100 people compared to the national average of 111. Overall, the region has 64 internet subscribers per 100 people, slightly below the national average of 68.

Despite improvements in internet penetration in the NER, the region continues to experience significant challenges with network reliability and internet speed. A 2021 study revealed that digital payment transaction failures in the region are 1.5 to two times higher than the national average. This issue is compounded by network downtime, which is three times more frequent, and internet speeds, which are 50% slower than other regions in India.



1.2 Key stakeholders in the NER's FinTech ecosystem

The NER's FinTech ecosystem is a dynamic network that comprises various stakeholders, including FinTech founders, government institutions, venture capitalists, financial institutions, educational institutions, and incubators. This section delves into the significant role of each stakeholder.

Government Institutions



- MDoNER - Institutional framework to promote entrepreneurship
- MSDE - Pradhan Mantri YUVA Yojana
- MeitY - Software Technology Parks of India (STPI)
- DPIIT - Recognizes 900 startups in NER

Financial Institutions



- Sizeable network of bank branches and ATMs in the region
- 2,500 Public bank branches; 700 Private bank branches
- 6500 ATMs; 8 RRBs; 35 Microfinance institutions
- Significant presence of business correspondents in the region

Academic Institutions



- Network of universities, technical colleges, and business schools
- Several academic institutions now promote entrepreneurship
- Significant presence of incubators or startup cells/clubs

Venture Capital



- North East Venture Fund (NEVF) - dedicated VC in the NER
- NEVF operates with a corpus of INR 1 Billion.
- Significant contributions from North East Development Finance Corporation (NEDFi), SIDBI, and MDoNER
- 568.45 Million invested in 37 Startups by NEVF (August 2023)

Incubators



- More than 50 incubation centers operational in NER
- Anchored by academic institutions and also state-led initiatives (Assam Startup - The Nest)
- Atal Incubation Centres operating in NER under programs like North East Entrepreneurship Development Program

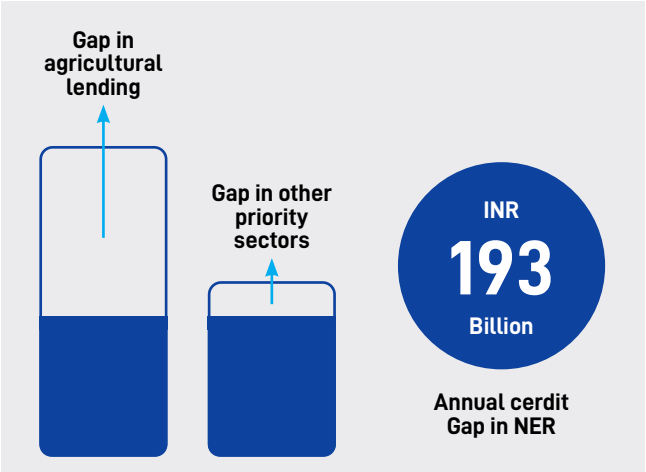
1.3 Potential of FinTech to fill the gaps in NER

The market sizing opportunity for FinTech to bridge the credit gap: The NABARD State Focus Reports show that the NER has substantial potential in agriculture and allied activities. For the fiscal year 2023-24, the cumulative projected credit outlay in the NER's agriculture sector was estimated to be around INR 300 billion.

The historical data reveals that the penetration of agricultural credit in the region has ranged between 20% and 40% over the past three years. This underperformance has resulted in a significant annual credit gap of more than INR 170 billion.

Accounting for other priority sectors, such as education, housing, SHG, JLG loans, and renewable energy, the total unmet credit demand in the region increases to approximately INR 193 billion.

For example, only around 5% of self-help groups (SHGs) have successfully linked to formal credit channels. Out of approximately 523,000 SHGs in the NER, only 27,000 have access to credit.



Role of FinTech in addressing credit gaps in NER

- **Credit Gaps exist in geographically challenging areas**
- **Digitisation of financial services can bridge this gap**
- **Traditional banking has limitations in such regions**
- **FinTechs can create innovative models for financial inclusion**

Lessons from other regions in India show that FinTech can play a critical role in addressing the credit gap in agriculture, provide convenience to existing borrowers, and unlock new opportunities previously unavailable through traditional channels. FinTech can help fill the current gap by employing models, such as alternative credit scoring, digital lending, and the use of technology to help banks expand into sectors, such as SHGs, housing, and education.

Potential for FinTechs to increase digital payments in NER: Data from PhonePe Pulse (Q2 2024) illustrates the NER's current digital payments landscape (extrapolating the data from PhonePe as an indicator of the existing reach and potential of digital payments).



Insights from Digital Payments Data

Merchant payment penetration is generally lower in NER

% of PhonePe users is significantly lower in most NER states

P2P and bill payments have a smaller contrast to rest of India

NER states fare better or on par with avg transaction amount

Comparing the median number of payments per PhonePe user in other major states indicates the gap in potential additional transactions in the NER. Considering these metrics, the NER has the potential for an additional 116 million merchant payment transactions and 27 million P2P transactions.

Similarly, despite the lower population density in the NER, the number of transactions per individual for merchant payments, P2P transfers, and bill payments is significantly lower than in other states. Calculating the gap in transaction potential based on the per capita transaction volume, reveals a significantly higher role that FinTech can play in filling the gap with the potential to add another 503 million merchant payment transactions, 223 million P2P transactions and 31 million bill payments.



Startup Enablers in the NER

India's North East Region (NER) has made considerable progress to foster a supportive environment for startup development. This progress has been largely driven by initiatives, such as the Digital North East Vision 2022, which outlines a strategic plan for digital advancement.

Since 2018, the region has experienced substantial growth in digital infrastructure, increasing efforts taken by government agencies, increasing presence of incubators and state-level VCs, and interest in entrepreneurship by academic institutions.

Besides these stakeholder initiatives, each state has also taken dedicated initiatives and designed its respective startup policies to provide better support and grooming for startups, which have contributed to the region's economic development. Below is a summary of the state-level policies for startups.

Arunachal Pradesh



- **Introduction of Arunachal Pradesh Startup Policy**
- **Financial assistance to startups through venture capital and angel investments**
- **Launch of Chief Minister's Startup Challenge**
- **Skill Development through Deen Dayal Swavalamban Yojana**

Assam



- **Introduction of Assam Startup Policy 2017**
- **Establishing Assam Hub for Innovation & Incubation (AHII)**

  Nurturing early stage startups through 'The Nest' Incubator
- **'Academia Connect' initiative bridges the academia-startup gap**
- **Funding programs - Sarothi Startup Fund, Assam Angel Network**

Manipur



- **Launch of Startup Manipur 2.0 in 2022**
- **Access for startup to govt. R&D labs and emerging technology**

  Network of Entrepreneurship Development Centres (NEDCs)
- **Creation of startup innovation park with labs and design studios.**
- **Manipur startup venture fund with a corpus of INR 1 billion**

Meghalaya



- **Introduction of Meghalaya Startup Policy in 2018**
- **Launch of Meghalaya Enterprise Architecture Project to improve digital connectivity.**
- **Development of Enterprise Development Strategy to provide support from ideation to market access to entrepreneurs.**

Mizoram



- **Restructuring of Mizoram Entrepreneurship & Startup Policy 2019**
- **Providing financial incentives and incubation support for startups**
- **Launch of Mizoram Sustainable Investment Policy**

Nagaland



- **Establishment of the Nagaland Startup Policy in 2019**
- **Women Capacity Building Workshops for women entrepreneurs**
- **Establishment of Entrepreneurship Development Cells in schools**

Sikkim



- **Launch of Chief Minister's Startup Scheme (CMSS)**
- **Funding, mentorship and infrastructure support for startups**
- **Skill development through the Skilled Youth Startup Scheme**
- **Launch of "One Family, One Entrepreneur" initiative in 2020**
- **Establishment of Sikkim Entrepreneurship & Economic Development Cell as a central hub of startup support**

Tripura



- **Establishment of IT parks to support tech startups**
- **Creation of Tripura Startup Fund for seed funding support**
- **Launch of New generation Innovation Network program to foster a culture of innovation and entrepreneurship in the state**

Challenges Faced by FinTechs in the NER

While several initiatives to support startups in the region have been implemented, the low number of fintech startups in the region indicates the challenges for the FinTech sector. Based on insights gathered through interviews with 21 founders from the NER, some of these challenges include a lack of founder interest in FinTech ventures, a lack of FinTech-specific startup support, and broader macroeconomic issues. These factors collectively hinder the growth and adoption of FinTech solutions in the region.

Ecosystem-Level Challenges

- Limited tech adoption by FIs in the NER
- Lack of Bank-FinTech collboration
- Significant migration of young talent
- Limited fintech expertise with startup enablers
- Limited uptake of digital financial services
- Limited private VCs and funding for fintechs
- Limited network of MSMEs, gog workers, aggregators etc

Limited Founder Interest

- Risk-averse mindset amongst entrepreneurs
- Llimited exposure to FinTech and lack of awareness
- Absence of success stories from NER
- High focus on agri sector for opportunities

Macro Challenges

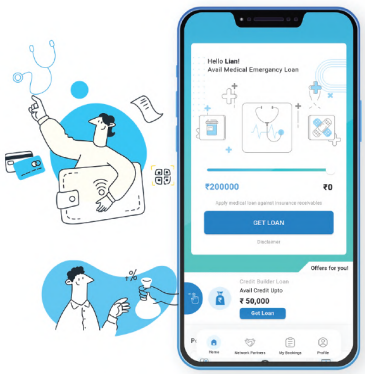
- Lack of trust in digital financial services and fear of fraud
- Physical and digital infrastructure challenges due to remote terrain
- Unfavourable unit economics due to low population density in NER

> Founders need complete hand holding, right from the idea stage to the time they launch and run the product. Most founders do not understand the finances of startups. They are afraid to dilute equity and raise funds.
>
> **CEO of an education institute incubator in Assam**

> We do not have the internal institutional capacity to validate FinTech compaines. If a top-tier education institute can do it for us, we would be more comfortable with investments in FinTech.
>
> **DGM of a state VC**



In a remote village in Northeast India, Rina's son fell seriously ill, and the medical costs were beyond her reach. With Qonect's interest-free loan, she could afford the necessary treatment that restored her son's health. This financial relief empowered Rina to focus on her work without fear of unexpected expenses. Her story inspired her community and proved that healthcare access is possible with the right support.





> Qonect is dedicated to removing financial barriers to healthcare in North East India with interest-free loans and free accident insurance. We strive to make healthcare accessible and affordable through innovation and government collaboration.
>
> Lian Thangvung,
> Founder of Qonect

Qonect:

- Qonect provides up to INR 200,000 in instant loans at 0% interest for medical emergencies to ease financial burdens.
- It offers INR 100,000 personal accident insurance at zero cost to increase healthcare affordability.
- The startup focuses on making healthcare services more accessible and affordable for individuals in Northeast India through financial innovation and strategic partnerships.

Current challenges:

- Qonect needs to build and enhance infrastructure to reach remote areas in Northeast India and establish strong local networks and partnerships to address the specific needs of the customers in the NER region.
- It needs to innovate and tailor products to meet the population's unique healthcare financing needs.
- The startup has to secure sufficient capital and resources to sustain and scale the business.

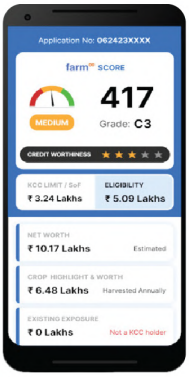
Expectations from the government:

- Qonect needs the government to promote policies that support healthcare financing solutions and innovative financial products.
- It seeks government investments to develop healthcare and financial infrastructure in underserved areas.
- Qonect seeks support to foster collaborations with financial institutions to enhance healthcare access.



Sagar, a smallholder farmer in India, could not access loans due to banks' limited view of his creditworthiness. FarmInfinity's app changed Sagar's situation. It used innovative technology to analyze his farm data, which allowed NBFCs to approve Sagar for a small loan that improved his farm's productivity. As more farmers use FarmInfinity, it has started to bridge the gap between rural communities and financial services to bring about economic growth in previously underserved areas.







"FarmInfinity bridges the gap between smallholder farmers and financial institutions with our digital platform. We urge the government to accelerate digitalization in NBFC-MFIs and RRBs to enhance financial inclusion and empower rural India."

Gunajit Brahma,
Founder of FarmInfinity

FarmInfinity:

- FarmInfinity provides smallholder farmers and agribusinesses in India with affordable financial services through a digital platform.
- Its patented technology helps financial institutions reduce risks related to nonperforming assets and make better lending decisions.
- FarmInfinity offers a multilingual Android app for farmers and a digital dashboard for financial institutions to simplify and streamline loan evaluations.

Current challenges:

- The main challenge for FarmInfinity is to build partnerships with NBFCs and banks to integrate its innovative credit scoring system.
- FarmInfinity faces difficulty securing proof of concept (PoC) opportunities to prove its solution's effectiveness
- Financial institutions hesitate to adopt new technologies without proven results.

Expectations from the government:

- FarmInfinity expects the government to speed up digitalization for NBFC-MFIs and RRBs to improve efficiency.
- The transition from paper-based methods to digital KYC and loan applications will expedite approvals for rural customers.
- Government support for digital technologies will help financial institutions reach underserved communities.

"We have a high target for the number of startups to incubate. We had more than 250 startups in the last round. With such a large number, it becomes callenging to provide in-depth support to each startup.

CEO of state-sponsored incubator

Recommendations: Building a Thriving FinTech Ecosystem in the NER

4.1 Centre for Excellence & Recommended Approaches

To build a thriving FinTech ecosystem in the NER that takes advantage of the existing enablers and addresses the challenges mentioned above, it is recommended to establish a Center of Excellence as an anchor institution for FinTech ecosystem development, along with specified supporting measures for effective orchestration of the key ecosystem players.

Given the early stage of FinTech development in NER states, establishing a centralised CoE with dedicated focus and representation from each state will likely yield better results than developing FinTech expertise separately for each state. This proposed CoE should bring together FinTech experts, local stakeholders, and state representatives to strengthen the region's FinTech ecosystem.

Additionally, efforts must be made to develop the FinTech ecosystem with existing stakeholders through an institution-led (top-down) approach to provide incentives and support, as well as a bottom-up approach focusing on building stakeholder capabilities from the ground up. While the bottom-up approach may take longer, a combination of such approaches along with dedicated efforts by an anchor institution is essential to ensure the long-term sustainability of FinTech development and adoption in the region.

Indicative overview of a proposed FinTech CoE

Vision & Mission

The CoE should focus on long-term mandates for the following:

1. Enabling the creation of more fintech startups in the NER
2. Increasing the availability, accessibility and usage of digital financial services.
3. Utilise FinTech innovation to boost NER's local economy

Major tasks and activities

1. Set up long-term and mid-term ageda and development plan
2. Work with stakeholders to create state/fregion level interventions
3. Enable support to fintech startups through programs, mentorship, grants, etc.
4. Create opportunities for regular and meaningful interactions and cross-collaboration between stakeholders
5. Nudge the larger Indian fintech ecosystem to focus on NER

Modus Operandi

1. Establish acharter of engagement with stakeholders
2. Focus on delegation of responsibilities to stakeholders and involvement in CoEs projects
3. Utilise existing infrastructure and encourage the creation of new ones.
4. Seek regular feedback and consultations with leaders from the industry through committees and sub-committees

The CoE can consist of FinTech experts and stakeholders, including government representatives, incubators, educational institutions, VCs, founders, and business associations from various states. Together, they will define the CoE's mission, vision, goals, and activities in consultation with key stakeholders.

As the setup of a regional CoE goes through the consultation process, a top-down and bottom-up approach is suggested to build momentum and improve FinTech outcomes in the NER.

Top-down approach

The top-down approach involves driving engagement through senior leadership of government bodies and key institutions in the ecosystem. This approach seeks to create quick visibility of the ecosystem level and encourages the larger ecosystem to participate in and support the initiative

- Institutional support to build local trust in fintech services and boost digitisation
- Incentives for FinTechs to set up operations in and focus on the NER
- Enncourage government institutions and dept. to collaborate and fintechs
- Focus on creation of success stories from the region
- Build capacity of FIs to better understand and boost collboration with fintechs

Bottom-up approach

The bottom-up approach goal is to ignite the potential of FInTech amongst founders and people in genral. This approach involves building local capacity and effecting mindset changes of existings takeholder and thus enquires sufficient time and effort.

- Dedicated fintech incubation and support programs and sahemes
- Targeted research on emerging trends and sub-sectors in FinTech for NER
- Established KPIs fir academic institutions to focus on fintech enterpreneurship
- Work with local businesses for grassroot level reach of fintech
- Boost financial literacy to generate trust in digital financial services

> Many of us have returened after we left lucrative jobs back in metros. We are resolved to take the NER to new heights. If we can get proper support, we can build a comprehensive ecosystem for the NER.
>
> **CEO of an education institute incubator in Assam**

The following section outlines the potential roles of the CoE in the capacity building of various stakeholders and the overall development of FinTech innovation and adoption in the NER:

FinTech Founders	Increase awareness about opportunities in FinTech for local founders to pursue entrepreneurship	Provide handholding support and mentorship across startup stages and sub-sectors of FinTech	Provide market access by providing opportunities for collaborations with Financial Institutions
Govt. Bodies	Provide incentives for fintechs outside NER to expand operations and establish centres in NER.	Increase FinTech awareness amongst govt bodies to gather more institutional support for FinTechs	Build public trust for digital financial services with the support from leadership of Govt. institutions.
VCs & Investors	Build the capacity amongst investors to develop a thesis for investing in FInTechs in NER	Establish strong linkages between incubators and VCs for identification of promising fintechs.	Build a strong network of angel investors from the NER with a formal structure similar to other Indian cities.
Financial Institutions	Build capacity of RRBs & UCBs for partnering with fintechs to offer digital financial services	Identify NER specific banking problem statements and identify fintechs for innovative solutions.	Build linkages with incubators and VCs in the NER to support early stage startups with guidance & mentorship
Educational Institutions	Develop Fintech-focused courses and curriculum in a context familiar to the NER population	Conduct capacity building sessions for faculty to be able to support fintech ideas coming from students	Research on emerging sectors in fintech and business models for fintechs to operate in the NER.
Incubators	Build a strong funnel of fintech founders from early stage to growth stage through incubation programs.	Build collaborations with larger incubators outside NER for specialised support and cross learning	Build strong partnerships with VCs & financial institutions in incubation programs to improve outcomes.

> If we provide proper guidance, then FinTech can excel. We have done so in the Xmahar project and demonstrated it for the region.
>
> **A POC for the APART project Assam**

4.3 Desired outcomes for FinTech founders and the NER

A vibrant and thriving FinTech ecosystem can play an important role in supporting socio-economic growth in the NER.

Short-term outcomes: In the short term, potential FinTech founders in the NER can explore collaborations with established FinTech companies from other parts of India. They should identify problem statements specific to the region and seek partnerships with FinTech companies that have developed relevant solutions. These solutions can then be adapted for the NER with minimal adjustments. This strategy will help founders gain real-time experience in operating FinTech solutions in the NER by focusing on their strengths and avoiding challenges across products, regulations, and other factors requiring substantial resources.

The relevant FinTech players will have the motivation to gain entry into a new geography. This strategy may also help to retain talent or even attract local talent to join FinTech startups as they are backed by established companies.

Mid- to long-term outcomes: FinTech founders in the NER should seek to carve out a niche in the broader FinTech industry. They can start by addressing local needs with aspirations to develop solutions that serve the rest of India. They can establish a strong market presence by creating intellectual property (IP)-based solutions, especially in deep tech areas crucial for the BFSI sector. If they choose to specialise in FinTech distribution, they should consider expanding to other regions of India. The adoption of a proactive and ambitious approach will make these ventures more attractive to serious investors and incubators and showcase the potential for significant growth and impact.

The people of NER will be the biggest beneficiaries of these changes. They will have relevant choices for their varied needs and will be better integrated into the formal economy. A thriving ecosystem will also create local employment and livelihood and promote local talent.

Assam Agrifin ("Xamahar")

Xamahar is a competitive agriculture fund, supported by the World Bank, which promotes innovative private-sector approaches and expands financial services for farmers in Assam's key value chains. It is implemented by the Assam Rural Infrastructure and Agricultural Services (ARIAS) under the Assam Agribusiness and Rural Transformation Project (APART).

Purpose: The fund seeks to support testing and scaling up of innovations by FSPs that enhance financial access in Assam's agricultural value chains.

Thematic areas: Savings, digitization of agricultural payments, insurance (crop, livestock, life, other perils) and credit (production and investment)

Outcome: The fund has impacted a total of 44,700 beneficiaries, out of which 23,690 are women.

Key partnerships

DigiSafe: DigiSafe, in consortium with ESCO Global, has partnered with Xamahar to provide insurance support to fisheries, cattle, and agri-horticulture farmers to mitigate risks and enhance financial security across various agricultural sectors. Additionally, DigiSafe, in collaboration with Absolute (an engineering and bioscience company), works to de-risk the fisheries value chain in Assam through customized microinsurance products and data-driven advisory services for fish farmers.

RangDe: A peer-to-peer lending platform, has partnered with Xamahar to promote financial inclusion for underbanked communities. In collaboration with SV Agri, it focuses on enhancing the potato value chain through quality inputs, technical advisory, and sale agreements. This partnership has facilitated potato procurement worth INR 5 million and provided INR 4.8 million in credit to 110 small and marginal farmers through 10 farmer producer organizations (FPOs) across seven districts in Assam.

Key Opportunities for FinTech in the NER

A thorough analysis of local needs that covers various segments of the population and businesses, can offer valuable insights into the role FinTech can play in the region. Based on discussions with a range of stakeholders,the following FinTech areas hold the potential to benefit the region and support other startups in developing a sustainable business model.

- **AgriFinTech:**

  A significant portion of the population and businesses in the NER are dependent on agriculture. Emerging AgriFinTech models have the potential to improve agricultural efficiency. These include input financing, marketplace solutions, supply chain financing for processing units, and warehouse financing (particularly in Assam), clubbed with advisory services. Farmer producer organisations (FPOs) could play a pivotal role in aggregating demand and offering on-the-ground support. Through community relationships, FPOs can help build stronger connections between FinTech providers and customers.

- **Digitisation of merchants:**

  As per the report by MeitY, the NER presents an opportunity worth INR 1.3 trillion in retail digitisation based on the wave of increased digital transactions. Bundled solutions that include working capital loans, store credit management, and remittance cash-outs can help trigger merchant interest and adoption of digital payments.

- **Collaboration with tourism and traditional sectors:**

  Collaboration between FinTech companies and local tourism businesses can enhance the efficiency and convenience of financial transactions and thus improve customer satisfaction. Additionally, the introduction of digitisation can make local arts and crafts more accessible to the wider market.

- **MSME financing:**

  Cash flow-based lending, especially through invoice financing, can significantly boost the MSME sector. FinTech platforms streamline the process and offer faster credit disbursement than traditional banks. FinTech companies can use digital platforms and data-driven models to make working capital more accessible, and help traders, distributors, and merchants grow their businesses.

- **Alternative data scoring for underwriting:**

  The NER has a low credit-to-deposit (CD) ratio. While the national average stands at 79%, for NER, it is partly below 50%. The low CD ratio is partly due to difficult terrain and a large population of new to-credit (NTC) customers. FinTechs that specialise in alternative data underwriting can help overcome these challenges by using non-traditional data sources and enhancing digital lending capabilities in the region.

- **Cross-border financial services:**

  Given the NER's strategic location bordering Myanmar and Bangladesh and being India's gateway to East Asia, FinTechs can build solutions for cross-border trade and remittances, such as cross-border solutions by collaborating with government bodies and financial institutions.





Rani, a tea plucker in Assam, wanted to start a tea stall, but she lacked the initial capital to start her venture since no banks were available nearby to offer her credit assistance. Her friend Maya, who works as a helper in a stationary shop, told her about HookoluPay. The FinTech helped her with all necessary assistance, such as arranging credit, opening a bank account, and all other payment queries. Today, Rani has become a successful tea stall owner, thanks to this support.

HookoluPay
BUYER MEET SELLER

Products and services

- Micro ATM and MPOS
- *Aadhaar* Enabled Payment System
- Prepaid card
- Remittance / DMT
- Prepaid recharge
- Bharat Bill Payment System
- Lending
- Bank account opening
- Travel
- UPI QR code



"FinTechs need to be present where the banks cannot reach, to pave the way for financial inclusion across Northeast India."

Aziz Ali,
Founder of HookoluPay

HookoluPay :

- HookoluPay connects the underbanked with traditional banking in Assam, Mizoram, Tripura, Nagaland, Manipur, Sikkim, and Arunachal Pradesh.
- It is the first FinTech in the region to offer comprehensive financial solutions that combine finance and technology to serve rural areas.
- HookoluPay provides a digital ecosystem via a user-friendly website and mobile app.

Challenges:

- Cash is still king in most of the North East markets, which reduces incentives for FinTech founders to explore this segment.
- Startups struggle with compliance-related challenges due to the FinTech founders' limited income.
- FinTech founders lack passion and knowledge about FinTechs, which hinder rapid scalability to target the right segment of people.

Opportunities:

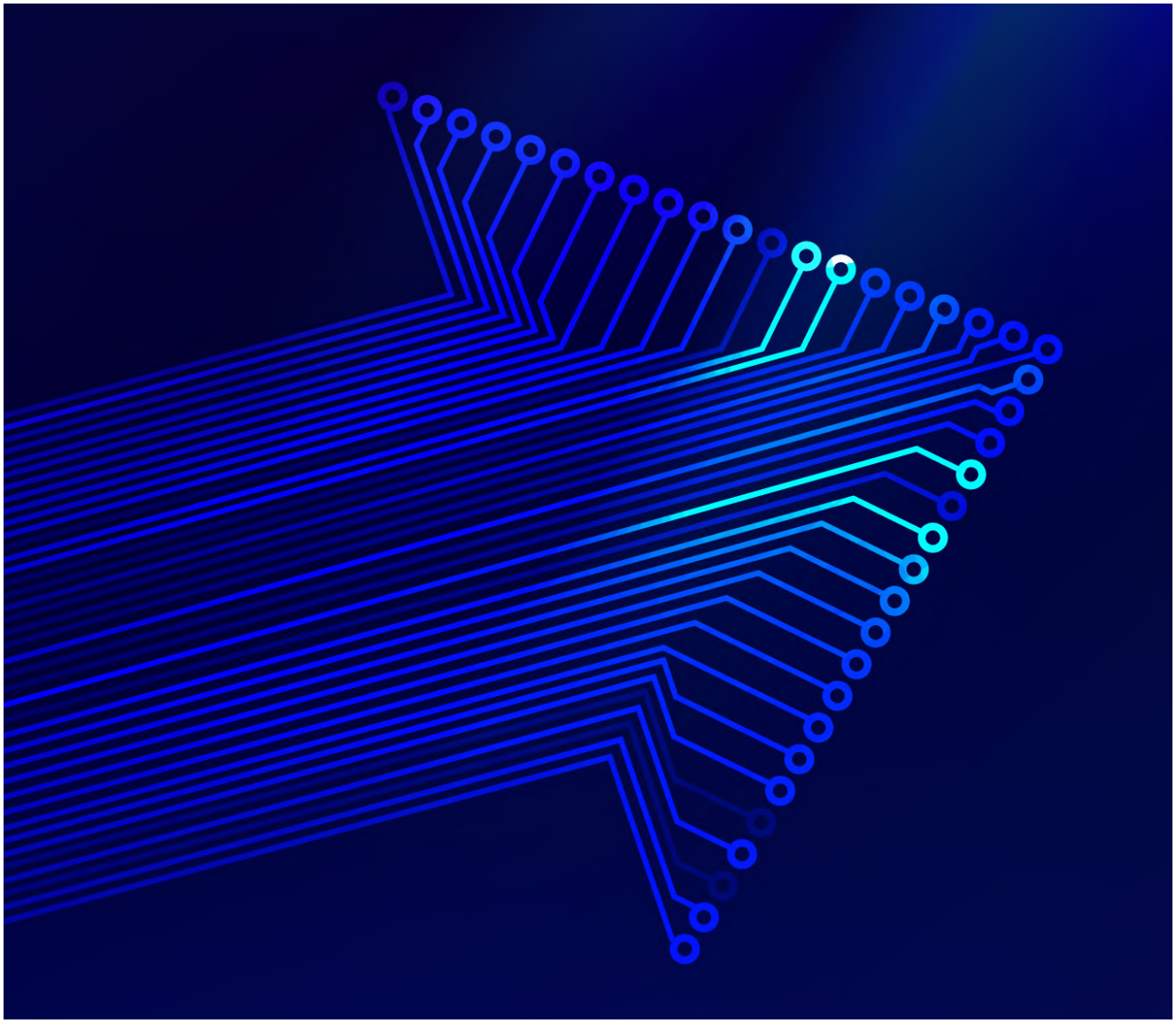
- Digital payments must be promoted extensively, as most of the segments, such as tea plantation workers, still get paid in cash.
- Financial institutions need to be onboarded for FinTech partnerships to extend their reach beyond traditional banking.
- Partnerships and collaborations with state government departments can be established to gain market exposure and expand FinTech adoption.

Conclusion and Way Forward

Given its potential to overcome the unique challenges in the region while enabling new growth opportunities, prioritising FinTech is vital for the holistic development of the NER. FinTech can drive inclusivity, overcome geographical and cultural barriers, and unlock the region's economic potential. It can foster digital transformation by furthering digitisation, data usage, and skill enhancement, thus creating opportunities for local talent and attracting tech businesses and venture capital.

Establishing a Center of Excellence (CoE) with expert guidance can accelerate this process. Tailored regulatory frameworks and capacity-building initiatives will be essential, drawing from the successes of tier-2 and tier-3 cities across India.

With opportunities in sectors like agriculture, climate, exports, and tourism, innovative FinTech solutions such as cash flow-based lending and alternative data scoring can significantly boost financial inclusion and economic growth. FinTech's potential to transform the NER and create local opportunities makes it a compelling focus area.



Annexes

A1: State Profiles

Arunachal Pradesh



Population (2011)
1.38 Million

Literacy
65.39%

Bank account penetration (2019)
88

Bank accounts linked to mobile phone (2021)
83.7%

Aadhar penetration (2020)
91%

Smartphone penetration (NFHS-4)
84.2%

Tele-density per 100 persons (2021)
89.66

Assam

Population (2011)
31.2 Million

Literacy
72.19%

Bank account penetration (2019)
100%

Bank accounts linked to mobile phone (2021)
74.3%



Aadhar penetration (2020)
43%

Smartphone penetration (NFHS-4)
46%

Tele-density per 100 persons (2021)
71.5

Manipur



Population (2011)
2.85 Million

Literacy
79.2%

Bank account penetration (2019)
86%

Bank accounts linked to mobile phone (2021)
91.4%

Aadhar penetration (2020)
82%

Rural Smartphone penetration (2023)
91.9%

Tele-density per 100 persons (2021)
77.22

Meghalaya

Population (2011)
2.96 Million

Literacy
74.43%

Bank account penetration (2019)
76%

Bank accounts linked to mobile phone (2021)
76.8%



Aadhar penetration (2020)
41.2%

Rural Smartphone penetration
47%

Tele-density per 100 persons (2021)
75.06

Mizoram



Population (2011)
1.09 Million

Literacy
91.58%

Bank account penetration (2019)
100%

Bank accounts linked to mobile phone (2021)
92.1%

Aadhar penetration (2020)
91%

Rural Smartphone penetration (2023)
94.29%

Tele-density per 100 persons (2021)
117.58

Nagaland



Population (2011)
1.97 Million

Literacy
79.6%

Bank account penetration (2019)
61%

Bank accounts linked to mobile phone (2021)
94.7%

Aadhar penetration (2020)
57%

Smartphone Penetration With youth (2023)
97.3%

Tele-density per 100 persons (2021)
75.46

Sikkim



Population (2011)
0.61 Million

Literacy
81.2%

Bank account penetration (2019)
100%

Bank accounts linked to mobile phone (2021)
92.7%

Aadhar penetration (2020)
84%

Smartphone penetration (2019)
60%

Tele-density per 100 persons (2021)
142.49

Tripura



Population (2011)
3.67 Million

Literacy
87.22%

Bank account penetration (2019)
100%

Bank accounts linked to mobile phone (2021)
81.9%

Aadhar penetration (2020)
89%

Smartphone penetration (2019)
57%

Tele-density per 100 persons (2021)
78.93

A2: List of stakeholders consulted

Total stakeholder interviews	86

Venture capital		
Indian Angel Investor (IAN) Group	Abhishek Kakkar	Pan India
Arali Ventures	Harshal Gupta, Sujata Krishnan	Assam
NeDFi	Prasanta Talukdar	Assam
NeDFi	Roshni Rai	Sikkim
SIDBI State VC Fund	Prasanjeet Sinha	Tripura
SIDBI State VC Fund	Rupam Nath	Assam
MicroSave Consulting	Kamal Chabra	Pan India
Total venture capital organisations interviewed		**7**

Financial institutions		
HDFC Bank	Abhisek Ghosh, Vipul Saini, Mithun John	Pan India
Axis Bank	Mithun Mahendra, Vineet Khera	Pan India
State Bank of India	S. Subramanian	Assam
State-Level Bankers' Committee	Joy Chandrachakma, Rajat Kanta Das	Assam
HDFC Bank	Suman Prasad	Sikkim
ICICI Bank	Niladri Paul	Sikkim
NABARD	Ajay Kumar Sinha, Pushkar Choudhary, Mitlesh Kumar Gupta	Sikkim
Sikkim State Cooperative Bank	Rinchen Ongmu	Sikkim
RBI Sikkim	Thotngam Jamang	Sikkim
Axis Bank	Amit Mishra	Sikkim
Arunachal Pradesh Regional Rural Bank	Joy Ram Pait (GM)	Arunachal Pradesh
A P S C Apex Bank, Arunachal Pradesh	Taba Oya (GM)	Arunachal Pradesh
Axis Bank	Pradeep Das	Assam
Assam Apex Bank	Dharmendra Kumar	Assam
NABARD Itanagar	Damodar Mishra (GM)	Arunachal Pradesh
NABARD	Anil Kotmire	Tripura
Total financial institutions interviewed		**16**

Incubators		
IIMCP	Pranjal Konwar	NE States
I-Ventures/DLabs	Nagaraj Bolakatti	Pan India
AIC NEATEHUB	Dr. Karthikeyan	Assam
PIEDS ITS Pilani	Rishi Aditya Sharma, Harish Mulchandani	Pan India
Manipur Technology Innovation Hub	Dr. Rajiv Kangabam	Manipur
Prime Meghalaya	Jeff Rani	Meghalaya
IIM Shillong E-Cell	Sanjeev Nigombam	Meghalaya
Assam Startup - The Nest	Rajarshi Sarma	Assam
NRL Ideation Center	Abhijeet Pegu	Assam
Selco Incubation Center	Simanta Kaila	Assam
IITG BioNest	Swapnil Sinha	Assam
IITG Technology Incubation Center	Pooja Thakur	Assam
IIM A Ventures	Arijit Sarmah	Pan India
ICFAI University Incubator	Sadhya Rani Pant	Sikkim
AIC Sikkim Manipal University Incubator	Prof Tej Chingtham	Sikkim
Educentre School of Business	Lezo Putsure	Nagaland
YouthNet	Nune Chase	Nagaland
Rajiv Gandhi University	Dr. Odang Mara	Arunachal Pradesh
Tripura University Business Incubator	Ashish Nath	Tripura
NIT Tripura	Suman Dev	Tripura
College of Agriculture	Dr. Thingreingam Irenaeus K.S	Tripura
StartUp Mission Kerala	Karthik Parasuram B	Kerala
Arali Ventures	Sujata Krishnan	Pan India
Total incubators interviewed		**23**

Government and allied bodies		
Kerala Startup Mission	Karthik Parasuram	Assam
Assam Rural Infrastructure and Agricultural Services (ARIAS)	Nitin Singh	Assam
STPI	N S Siddaiah	Sikkim
SEED Cell	Raj Lama	Sikkim
SIDICO	Jgmee Tonnet	Sikkim
Department of MSME	M. Ravikumar	Sikkim
Sikkim Women Entrepreneurs Forum Cooperative Society Ltd	Usha Lama	Sikkim
Department of Information Technology	Tsering Samdup	Sikkim
STPI Kohima	Abhishek Mishra	Nagaland
STPI Arunachal Pradesh	Parag Jyoti	Arunachal Pradesh
Directorate of Information Technology	Jeya Regul Keshan	Tripura
Total government institutions interviewed		**11**

Government and allied bodies		
Farm Infinity	Gunajit Brahma	Assam
DigiSafe	Suman Roychoudhury, Vikas Singh	Assam
NE Fresh	Parag	Assam
Qonect	Liam Thangvug	Assam
NagaEd	Shiroi Lily	Nagaland
Peipung Ed Tech	Jeremia Remruatpuia	Mizoram
Local All Natural Soda	Zomawii Khiangte	Mizoram
Farm Infinity, Farm Easy	Gunajit Brahma	Assam
HookuluPay	Aziz Ali	NE states
Soulfood	Smrita Pradhan	Sikkim
Namchi Handicrafts	Smita Rai	Sikkim
Varsha Homestay	Varsha Chogden	Sikkim
NE Origins	Rewaj Chettri	Sikkim
Skill Campus	Annzu Pradhan, Junu Rai	Sikkim
ilandlo	Imtisunup Longchar	Nagaland
Content Crafters	Mai Dempi	Arunachal Pradesh
RangDe	Arun Ramachandran, Naresh Babu Kunche	Pan India
Sayantani Development Services	Parag Boruah	Assam
Popil Tunes	Abraham Ering	Arunachal Pradesh
Total startup founders interviewed		**21**

Technology facilitators		
IDfy	Rahul Raj	Pan India
Drishtee	Satyan Mishra	Assam
Youcove Foundation	Mrinmoy Pathak	Pan India
Total technology facilitators interviewed		**3**

Customers		
Priya Sarma	27	Sikkim
Rajesh Thapa	42	Sikkim
Tenzin Dorjee	23	Sikkim
Anjum Rai	36	Sikkim
James Lagchi	46	Sikkim
Total customers interviewed		**5**

A3: Breakdown of Credit & Payment Opportunity in NER

Breakup of the credit gap in priority sector lending performance worth INR 193 billion						
State	Agriculture (2023-24) (in INR billion)	Others (education, housing, renewable energy, social infrastructure, SHG/JLG)	Average percentage achievement in agriculture in the past three years	Average percentage achievement in others—education, housing, loans to SHG/JLG, renewable energy—in the past three years	Gap in agriculture lending (in INR billion)	Gap in other sectors—education, housing, loans to SHG/JLG, renewable energy (in INR billion)
Assam	199.83	49.25	38%	78%	123.23	11
Tripura	45.7	12.9	61%	84%	17.82	2.01
Manipur	14.26	4.6	38%	65%	8.89	1.61
Meghalaya	13.98	3.46	22%	55%	10.9	1.57
Nagaland	5.14	1.7	40%	68%	3.07	0.54
Arunachal Pradesh	4.97	1.65	23%	40%	3.85	0.99
Mizoram	7.13	3.5	36%	106%	4.54	-0.21
Sikkim	3.7	1.26	24%	61%	2.82	0.5
	294.71				~175	~18

Phone Pe transaction data for Q2-2024	Total value of transactions on PhonePe (in billion INR)	Number of PhonePe users (in million)	Average transaction amount (in INR)	Number of PhonePe users as a percentage of the population	Number of merchant payments per PhonePe user	Number of P2P payments per PhonePe user	Number of bill payments per PhonePe user
Assam	345.31	7	1,273	21%	20.9	14.9	3.3
Tripura	18.14	0.8	1,418	22%	8.8	5.4	1.5
Manipur	10.9	0.6	2,152	21%	3	4.2	1
Meghalaya	16.79	0.3	1,514	10%	17.3	15.7	3.3
Nagaland	11.01	0.4	1,967	21%	5.6	6.3	1.5
Arunachal Pradesh	29.71	0.5	1,525	38%	19	16.2	3.4
Mizoram	3.8	0.2	1,921	17%	5.3	4.1	1.2
Sikkim	11.30	0.3	1,572	50%	12	9.7	2
Other states							
Maharashtra	3,573.19	70	1,166	58%	28.6	12.4	2.4
Karnataka	3,785.03	40	1,244	66%	49.5	22.8	3.5
Odisha	1,164.84	18	1,234	43%	30	18.9	2.8
West Bengal	1,547.34	33	1,578	36%	15.4	12	2.5

Median number of payments per PhonePe user in Maharashtra, Karnataka, West Bengal, and Odisha (Total number of payment transactions per category / the number of PhonePe users)		Potential value of additional transactions among the NER states (in million) (Median number of PhonePe transactions in other states - number of PhonePe transactions in NER)* Number of PhonePe users of NER
Merchant payments	**29**	116
P2P payments	**15.7**	27
Bill payments	**2.6**	-0.2 (The NER states have fared better than other states)

Q2-2024	Per capita merchant payment = (number of PhonePe transactions/state population)	Per capita P2P payment (for the total number of PhonePe transactions)	Per capita bill Payment (for the total number of PhonePe transactions)
Assam	4.5	3.2	0.7
Tripura	1.9	1.2	0.3
Manipur	0.6	0.9	0.2
Meghalaya	1.7	1.6	0.3
Nagaland	**1.2**	1.3	0.3
Arunachal Pradesh	**7.3**	6.2	1.3
Mizoram	**0.9**	0.7	0.2
Sikkim	**6.0**	4.8	1.0

Other states			
Maharashtra	16.7	7.3	1.4
Karnataka	32.5	14.9	2.3
Odisha	12.9	8.1	1.2
West Bengal	5.5	4.3	0.9

Median per-capita transactions in Maharashtra, Karnataka, West Bengal, and Odisha (Total number of payment category transactions / Population of the respective state)		Additional transaction volume potential among the NER states (in million) (Median per capita transaction in other states- per capita transaction in NER)* Population of NER
Merchant payments	**14.8**	503
P2P payments	**7.7**	223
Bill payments	**1.3**	31

A4: NER datasheet

Parameter	Sub-parameter	National	Assam	Arunachal Pradesh	Mizoram	Manipur	Nagaland	Meghalaya	Tripura	Sikkim
Population	Census 2011	1.21 billion	31.2 million	1.38 million	1.09 million	2.85 million	1.97 million	2.96 million	3.67 million	0.61 million
Projected population	Assuming 10% population growth	1.33 billion	34.3 million	1.52 million	1.2 million	3.14 million	2.17 million	3.29 million	4.04 million	0.67 million
Adult population	Assuming 68% (India average 2022) (Age group 15-64)	0.9 billion	23.3 million	1.03 million	0.82 million	2.13 million	1.48 million	2.24 million	2.74 million	0.45 million
Literacy	Overall (Census 2011)	72.99%	72.19%	65.39%	91.33%	79.20%	79.60%	74.43%	87.22%	81.42%
Society	Lineage	Patrilineal	Patrilineal	Patrilineal	Patrilineal	Patrilineal	Patrilineal	Matrilineal/ matrilocal society (Khasi and Garo tribes)	Patrilineal	Patrilineal

Official languages		Hindi, English	Assamese, Bengali (in Barak Valley Districts), Bodo (in Bodo Territorial Council Area) and English	English	Mizo, English	Meiteilon	English	Khasi	Bengali and Kokborok	English, Nepali, Sikkimese (Bhutia) and Lepcha
Software Technology Park		65 (STPI)	1 in Guwahati	1 in Itanagar	1 in Aizwal	1 in Imphal	1 in Kohima	1 in Shillong	1 in Agartala	1 in Gangtok
Teledensity (per 100 persons) (as of June'21)		84.76 (Sept '24)	71.5	89.66	117.58	77.22	75.46	75.06	78.93	142.49
Access to smartphones	Overall	48% (2019)	46% (2019)	84.2% of households (NFHS 4, 2015-16)	Rural: (94.9%)	Rural: 91.9% (2023)	Youth: 97.3% (2023) National average for youth: 92.1%	47% (2019)	57% (2019)	60% (2019)
	Female NFHS-5, 2019-20)	54.00%	57.20%	76.40%	82.30%	72.20%	82.50%	67.50%	53.10%	88.60%
Internet access	Number of internet subscribers (in millions) (Dec '2023)	936.16	18.82	0.86	1.21	2.13	1.64	2.03	2.18	0.68
	Female (NFHS-5, 2019-20)	33.30%	28.20%	52.90%	67.60%	44.80%	49.90%	34.70%	22.90%	76.70%
	Male (NFHS-5, 2019-20)	57.10%	42.30%	71.60%	79.70%	73.90%	64.60%	42.10%	45.70%	78.20%
Per-capital income in 2020-21 at current prices (INR)		126,855	86,857	192,360	144,394	87,832	123,385	84,638	119,789	412,754
State-wise Ease of Doing Business Rank; out of 29 (2019)		-	20	29	25	29	29	29	29	29
Registered startups		1,17,000 + (2022)	272 (Recognized by Startup Assam)	40+ (2022)	165+ (2022)	5000+ (2022)	100 (2022)	500 (2022)	75+ (2022)	45+ (2022)
Startups that raised funding or received funding support		-	109 (In 2022-23)	50+	-	-	-	-	-	-
State-supported and private incubators		-	10+	25+	4	-	5	150+	10+ (5+ new incubators established)	-

Incubated startups	-	255	60+	90+	50+	50	100+	25+	15+ (100+ startups receiving accel-eration support)
Women-led startups supported by Startup India at the state level	32413 (2022)	20	29	25	29	29	29	29	29
Startups that solve problems at the grassroots level	-	50+ (2022)	-	20	-	100+	3+	-	45+ (2022)
Digital payments per capita (data up to Oct '23)	3.85	1.76	1.04	0.55	0.8	0.58	0.77	1.11	2.14
Bank accounts linked to mobile phones (2021, DFS)	-	74.30%	83.70%	92.10%	91.40%	94.70%	76.80%	81.90%	92.70%
Aadhaar penetration (2020, UIDAI)	90%	43%	91%	91%	82%	57%	41%	89%	84%
Accounts linked with Aadhaar (2018, MeitY)	85%	11.40%	71.60%	75.70%	82.50%	77.50%	11.20%	94%	90.70%

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About RBIH

The Reserve Bank Innovation Hub (RBIH) is a wholly-owned subsidiary of the Reserve Bank of India, dedicated to leveraging technology and innovation to enable frictionless finance for a billion Indians. The RBIH works towards this mission through its four pathways: RBIH Build - develop in-house solutions when market solutions do not exist, RBIH Design - design customer-centric processes and products, RBIH Incubate - nurture fintech startups and the innovation ecosystem, and RBIH Insights - conduct in-depth research to shape financial innovation. By building bridges between various stakeholders in the financial ecosystem, RBIH fosters an environment of collaborative innovation to drive financial inclusion.

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