

NEWSLETTER

May 2026

ABOUT NEWSLETTER



Presenting the latest edition of our newsletter! This edition highlights key developments shaping India's evolving fintech and banking ecosystem. We cover RBI's clarification on the DLG/FLDG framework for fintech–NBFC partnerships and its strengthened CKYC framework aimed at enabling faster onboarding and improved customer verification. The newsletter also explores how rising gold loans are driving growth for Small Finance Banks amid weakening microfinance asset quality. In addition, we examine the growing influence of Indian Wealthtech startups targeting Gen Z investors through AI-powered, mobile-first investment platforms, reflecting the changing landscape of digital wealth creation in India.

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RBI Clarifies DLG / FLDG Framework for Fintech–NBFC Partnerships



The Reserve Bank of India (RBI) has recently provided important regulatory clarification regarding the treatment of Default Loss Guarantee (DLG), also commonly known as First Loss Default Guarantee (FLDG), under Expected Credit Loss (ECL) provisioning norms. The clarification is being viewed positively across the fintech and lending ecosystem, particularly for co-lending, embedded finance, and digital MSME lending models.



Under DLG/FLDG structures, a fintech partner provides partial credit protection to a Bank or NBFC by agreeing to absorb a predefined portion of loan losses. This arrangement enables lenders to expand credit access while managing portfolio risk more efficiently. DLG models are widely used across embedded finance, consumer lending, MSME lending, invoice-based financing, supply chain finance, and co-lending ecosystems. The RBI has clarified the treatment of DLG-backed portfolios under ECL provisioning frameworks, thereby providing greater operational clarity to regulated entities. As per the clarification, DLG arrangements remain permissible within RBI-prescribed limits, and properly structured DLG models can continue under regulated frameworks.

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However, Banks and NBFCs are expected to maintain strong risk management controls, while portfolio monitoring, transparency, and governance continue to remain critical compliance requirements. The clarification is expected to reduce uncertainty around provisioning treatment and capital impact for lenders partnering with fintech companies.



The regulatory clarity is expected to positively impact the fintech and lending ecosystem by improving confidence in fintech–NBFC partnerships, supporting the scaling of co-lending models, increasing credit flow to MSMEs, improving capital efficiency for lenders, and encouraging further innovation in digital lending.

For fintech companies operating in Invoice Based Financing (IBF), Supply Chain Finance (SCF), and Embedded MSME Lending, the clarification provides stronger support for structured co-lending programs, risk-sharing partnerships, technology-led underwriting models, and faster portfolio expansion. This is expected to strengthen the digital MSME financing ecosystem and encourage more institutional participation in fintech-led lending models.

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While the framework remains supportive, the RBI continues to emphasize strong underwriting practices, transparent disclosures, portfolio-level monitoring, adequate provisioning, compliance governance, and responsible lending practices. Fintechs and lending partners are therefore expected to build more mature operational, compliance, and governance frameworks to ensure sustainable long-term growth.

Conclusion

Overall, the RBI's latest clarification signals a balanced regulatory approach focused on encouraging innovation while strengthening financial stability. The development is expected to accelerate growth in embedded finance, digital co-lending, MSME credit ecosystems, API-led lending infrastructure, and invoice financing platforms. For compliant fintech companies and NBFCs, the regulatory environment continues to remain favorable for scalable and technology-driven lending expansion.



How Indian Wealthtech Startups Are Targeting Gen Z Investors



India's fintech ecosystem is evolving rapidly, and one of the most exciting emerging segments is Wealthtech. In 2026, a new generation of Indian startups is focusing aggressively on Gen Z investors - a demographic that is young, digitally native, financially curious, and increasingly interested in wealth creation.

Unlike previous generations that preferred traditional savings methods such as fixed deposits or gold, Gen Z is showing strong interest in stocks, mutual funds, SIPs, ETFs, crypto-linked products, and digital investment platforms. This shift is creating a massive opportunity for Wealthtech companies across India.



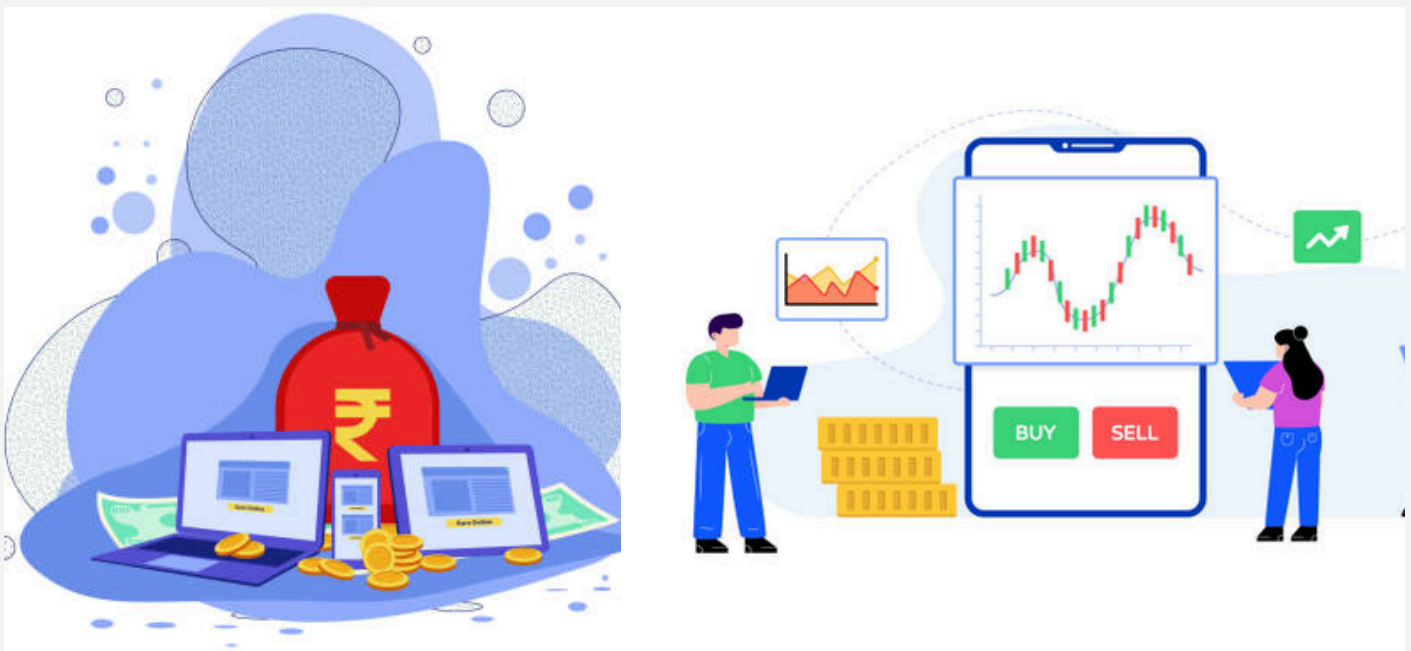
Recently, several Indian Wealthtech startups including Trackk and Zomint have gained attention for their innovative investment platforms and fundraising activities. These startups aim to simplify investing through AI-powered recommendations, gamified interfaces, and mobile-first experiences designed specifically for young users.

One major reason behind the rise of Wealthtech is the increasing financial awareness among young Indians. Social media platforms, finance influencers, and easy access to information have encouraged more people in the 18–30 age group to start investing early

How Indian Wealthtech Startups Are Targeting Gen Z Investors



Many first-time investors now prefer digital apps over traditional brokers because of convenience, lower costs, and faster onboarding processes. Artificial Intelligence is also playing a significant role in this transformation. Wealthtech platforms are using AI to analyze spending habits, assess risk profiles, recommend investment strategies, and provide personalized financial guidance. This allows users with limited financial knowledge to make informed investment decisions with greater confidence.



Another key trend is the rise of “micro-investing.” Young users are increasingly interested in investing small amounts regularly instead of making large investments at once. Features such as automated SIPs, round-up investments, and goal-based investing are becoming highly popular among Gen Z users who prioritize flexibility and financial discipline.

However, this rapid growth also brings challenges. Many young investors enter the market without fully understanding risks associated with equity investments or speculative assets.

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The Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI) are also paying closer attention to digital investment platforms to ensure transparency, compliance, and customer protection. Going forward, regulatory trust will become a major competitive advantage for Wealthtech firms.

India's Wealthtech market is still in its early stages, but the growth potential is enormous. With rising smartphone penetration, digital payments adoption, and increasing participation from young investors, Wealthtech could become one of the defining segments of India's fintech revolution over the next decade.

Conclusion

In conclusion, the rise of Wealthtech startups in India reflects a major shift in how young Indians approach investing and financial planning. By combining technology, Artificial Intelligence, and user-friendly digital platforms, these startups are making investing more accessible, personalized, and engaging for Gen Z investors. Features like micro-investing, automated SIPs, and AI-driven financial insights are encouraging early participation in wealth creation among younger users.



RBI Strengthens CKYC Framework for Faster Onboarding and Better Verification



The Reserve Bank of India (RBI) has further strengthened its Central Know Your Customer (CKYC) compliance framework as part of its updated KYC regulations in 2026. The move is aimed at improving customer verification, reducing duplicate documentation, and enabling faster onboarding across banks, NBFCs, and other regulated financial institutions.

CKYC was introduced to create a centralized repository of customer KYC records, allowing individuals to complete KYC once and use the same record across multiple financial institutions. Under the latest guidance, regulated entities are expected to first check whether a customer already has an existing CKYC number before asking for fresh KYC documents.



The central bank has also clarified that customers holding CKYC numbers are still required to complete periodic KYC updates whenever there is a change in important details such as PAN, Aadhaar-linked address, mobile number, or email ID. Institutions are expected to follow risk-based timelines for these updates.

Another major focus area in the latest framework is the continued promotion of Digital KYC and Video Customer Identification Process (V-CIP). These systems allow customers to complete verification remotely, making the process faster, paperless, and more convenient.

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Faster customer onboarding, improved compliance, lower operational costs, and better fraud detection are among the expected outcomes.

For customers, the new guidance means maintaining updated PAN, Aadhaar details, and mobile numbers will become increasingly important. For lenders and businesses, CKYC verification is now becoming a critical step before approvals and disbursements.

With digital finance expanding rapidly across India, RBI's renewed focus on CKYC highlights its broader strategy of combining stronger regulatory compliance with smoother customer experiences.

Conclusion

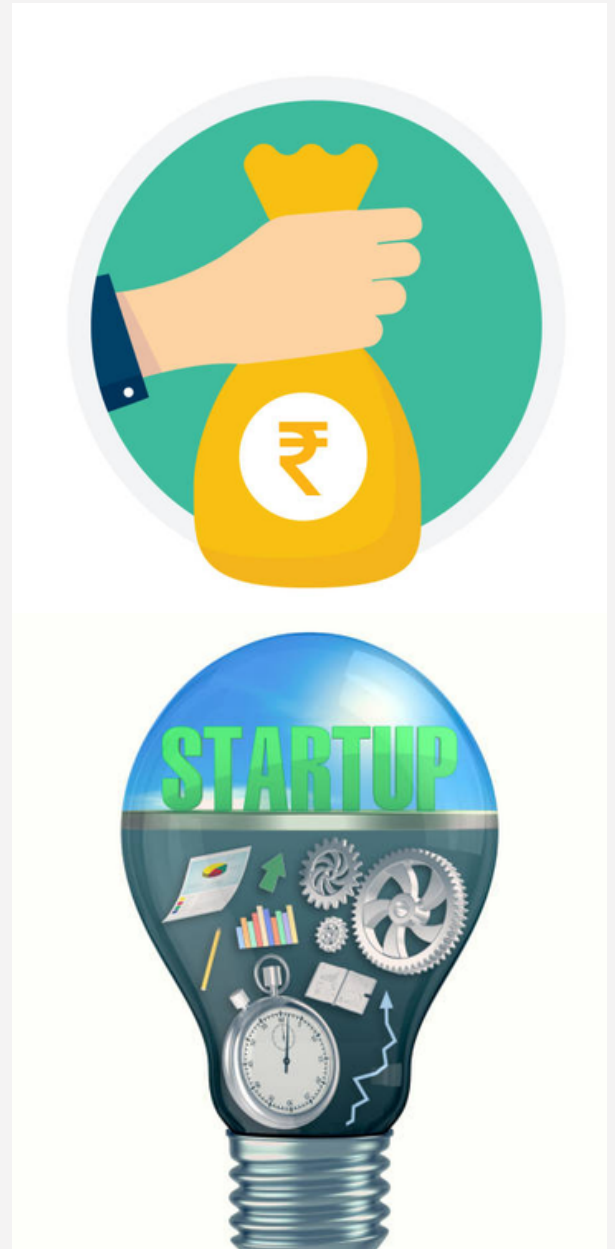
In conclusion, RBI's strengthened CKYC framework marks an important step toward building a more efficient, secure, and digitally connected financial ecosystem in India. By promoting centralized KYC records, digital verification, and faster onboarding processes, the updated guidelines aim to improve customer convenience while enhancing transparency and fraud prevention. As digital banking and fintech adoption continue to grow, effective CKYC compliance will play a crucial role in ensuring seamless financial access, stronger regulatory standards, and a more trustworthy banking environment for both customers and financial institutions.



Funding & Startup Slowdown in India

India's fintech sector is currently going through a major transition phase as startup funding activity slows down compared to the rapid investment boom witnessed during 2020–2022. Although fintech remains one of the strongest sectors in India's digital economy, investors have become significantly more cautious and selective in funding startups.

According to reports published by The Economic Times and industry data platforms, India's fintech sector raised nearly \$513 million during the first quarter of 2026, but the total number of funding deals declined sharply by around 54%, indicating that investors are focusing on fewer but financially stronger companies. The current market environment reflects a clear shift from aggressive expansion strategies toward profitability, sustainable growth, and stronger compliance practices. One of the primary reasons behind this slowdown is growing investor caution due to global economic uncertainty, inflation concerns, geopolitical tensions, and tighter monetary policies across international markets.



Another major factor contributing to the slowdown is the tightening regulatory environment in India. The Reserve Bank of India (RBI) has introduced stricter compliance frameworks related to digital lending, payment aggregators, KYC requirements, customer data protection, and cybersecurity standards. Following regulatory actions against several fintech firms in recent years, investors are carefully evaluating compliance risks before making investment decisions. This has increased operational pressure on startups, particularly smaller companies that may lack sufficient resources to manage evolving regulatory requirements.

Conclusion

The slowdown in fintech funding marks a significant shift in India's startup ecosystem from rapid expansion toward disciplined and sustainable growth. While funding activity has become more selective, the fintech sector continues to remain a crucial part of India's digital economy due to increasing digital adoption, financial inclusion initiatives, and technological innovation. The current environment is encouraging startups to strengthen their business fundamentals, improve compliance standards, and focus on long-term profitability rather than short-term valuation growth.

