

Developing a Governance Rating Framework for FinTech in India- A Conceptual Approach

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Abstract

Corporate governance plays a pivotal role in ensuring transparency, accountability, and effective risk management in all types of business undertakings. The need of corporate governance is much more in the rapidly growing FinTech sector, where regulatory compliance is essential for sustainable growth and stakeholder confidence.

The FinTech industry in India is expected to grow rapidly with estimated revenue generation of \$180-\$200 Billion, till 2030. At present the FinTech industry of the country has stood 3rd largest globally. However, it is regularly observed that the governance of organizations becomes crucial at their peak stages, where the stakeholders have huge expectations from the organizations. The companies like, Paytm, PhonePe, Razorpay, Upstox, Grow and others, are leading for processing digital payments transactions in the country. FinTech industry is governed by the regulations and policies stated by the authorities like the Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI) and other the financial bodies.

This research paper talks about the corporate governance of the FinTech industry in India. The research has been carried out with the purpose of analysing and discussing facts about compliance of Fin Tech. It is concluded that the present FinTech in India is observed to be less careful about fulfilment of the compliance norms. Here, it is recommended that the corporate governance ratings shall be applied to the FinTech companies for evaluating their trustworthiness.

Key Words: FinTech, Compliance, Stakeholders' interest, Corporate Governance & Ratings

1. Introduction

The FinTech industry in India is coming up with great boom in last few years. As the country is very much enthusiastic in using digital modes for almost all types of money transactions, such enthusiasm has now turned into establishment of the big industry called FinTech. The new concept of 'Digital India' has given big push to the FinTech industry. Recently, the government of India is looking to invest huge in FinTech infrastructure. The FinTech hubs are established in top cities of the States in India. Few examples are as follows:

1. The Gujrat International Finance Tech City (GIFT) in Ahmedabad, Gujrat (2015)
2. FinTech Tower in Chennai, Tamilnadu (2023)

3. Mumbai FinTech Hub- Mumbai- Maharashtra (2018)

The following table gives very recent picture of expansion of FinTech in India.

Table 1- FinTech Industry Growth in India -2025

Cities	% of FinTech Funding
Bengaluru	48%
Delhi (NCR)	23%
Mumbai	14%
Pune	6%
Chennai	6%
Others	3%

Source: PwC, “Investing in India’s FinTech disruption”, based on Venture Intelligence; data basis 2020– 2025.

The companies like, Paytm, PhonePe, Razorpay, Upstox, Grow and others, are leading the digital payment transactions in the country. The FinTech industry is governed by country’s central bank i.e the Reserve Bank of India. The growing digital use makes transactions more smooth and efficient, but at the same time the risk associated with it is also increasing and the same is the worried factor for the FinTech. The RBI is well aware of these risks (data privacy, security, frauds etc.). Even though RBI has laid the ground for the sector to flourish; it also determined the set of rules and regulations for cracking ever growing FinTech transactions. The FinTech cannot overlook the RBI guidelines for the Licensing, Compliance, Legal aspects, Policies regarding lending money and performing the e-money transactions. The customer’s (user’s) funds should have to be protected while performing these transactions.

2. Literature Review

Hsieh, Chang and Cheng (2024), highlighted on FinTech governance challenges and classify governance issues across multiple categories. Their conclusion is that governance needs to extend beyond individual firms to the wider FinTech ecosystem. Their review identifies regulatory, technological, security, ethical and organizational issues as interconnected governance concerns. The authors consequently emphasize collaborative governance involving regulators, FinTech firms and other ecosystem participants.

Rohilla and Nishad (2025) have talked about the rapid expansion of India's FinTech sector. According to them, the FinTech in India has created systemic vulnerabilities and its current regulatory mechanisms require strengthening, particularly in relation to corporate governance, risk management and the management of FinTech distress.

Rehman, Nigam & Khan et al. (2025) in their paper, have examined the Indian banking data and examines board structure, IT governance and FinTech. The study surveyed 210 participants from Indian banks and finds that good IT governance is associated with better FinTech practices.

3. Research Gap

The conclusion in above research work is same and common that the FinTech in India needs to be under solid corporate governance. However, the said research is lacking any authentic solution or framework of corporate governance that may suits to the FinTech.

4. Methodology

A. Research Question

The research is carried out with the following question.

“How transparent is the Compliance of the FinTech of India?”

B. Research Objectives:

1. To highlight the non-compliance matters of the FinTech in India
2. To test out the feasibility of Corporate Governance Ratings for FinTech.

C. Data Sources

The study is based on secondary data collected from regulatory reports, official publications, industry reports, and publicly available information on FinTech companies.

5. Data Analysis and Results

This section analyses selected regulatory non-compliance cases in India’s FinTech sector with selected examples of companies. One can understand the nature of violations and the penalties imposed by the RBI. The RBI have reported around 353 enforcement penalties amounting ₹54.78 crore to FinTech entities during April 2024–March 2025. Few of the top cases are given below

Table 2- Selected Non Compliance Cases in India’s FinTech

Name of FinTech	Non Compliance Issues	Year	RBI Penalty
Paytm Payments Bank	Non-compliance with KYC Directions, Payments Bank licensing guidelines, cyber-security requirements and reporting requirements; Issues relating to beneficial-owner identification, transaction monitoring and customer-account limits.	2023	Rs.5.39 crore
Airtel Payments Bank	Non-compliance on Disclosure in Financial Statements.	2026	Rs.31.80 Lakh
PhonePe Ltd	Shortfall in the escrow account compared with outstanding PPIs and merchant payments. Not timely reported to RBI.	2025	Rs.21 Lakh
One Mobikwik Sytems Pvt .Ltd	Non-compliance with RBI's net-	2021	Rs.1 crore

	worth requirement for Bharat Bill Payment Operating Units (BBPOUs).		
Spice Money Ltd	Non-compliance with RBI's net-worth requirement for BBPOUs.	2021	Rs.1 crore

Source-RBI Enforcement Actions-Press Release

The Above Table presents selected non-compliance cases of the top FinTech companies in India. One can understand the diverse regulatory challenges faced by the sector. The cases indicate that regulatory violations are not limited to a single operational area but extend to Know Your Customer (KYC) requirements, cybersecurity, financial disclosures, escrow account maintenance, reporting obligations, and minimum net-worth requirements.

Paytm Payments Bank paid penalty for non-compliance of several areas of operations. It indicates the significance of compliance with banking regulations, customer identification norms, transaction monitoring, and reporting requirements. Similarly, Airtel Payments Bank faced a penalty for non-compliance relating to financial statement disclosures, while the penalty for PhonePe Ltd. was in connection with a shortfall in its escrow account and delayed reporting to the RBI. Mobikwik Systems Pvt. Ltd. and Spice Money Ltd. Both companies charged penalty for non-compliance with the prescribed net-worth requirements applicable to Bharat Bill Payment Operating Units (BBPOUs). These selected cases demonstrate that regulatory compliance in the FinTech ecosystem requires robust internal controls, transparent financial reporting, adequate capitalisation, effective risk management, and timely communication with the regulator.

Apart from the above mentioned companies; there are many other FinTech companies operating in India have also faced monetary penalties for various forms of regulatory non-compliance. This is really a serious issue related to the compliance matter. Therefore, it is essential to investigate the underlying reasons behind these non-compliance practices rather than focusing solely on the penalties imposed. The main reason is lack of proper internal management control system over the FinTech operations. Many FinTech organizations may have limited awareness about the compliance norms. The risk management of these companies may not be well structured. The companies are focusing mainly on rapid business expansion. But their failure in establishing good control system may result into violations of the compliance of apex body i.e RBI. Some companies may do it deliberately also. They need to be strictly penalized and punished.

6. Conclusion

The present study highlights that; the regulatory compliance alone may not adequately capture the overall governance quality of the FinTech companies. There needs to be great transparency, accountability, risk management and stakeholder protection. The suggested governance ratings to FinTech can provide stakeholders with an independent indication of governance quality and strengthen trust and confidence in the rapidly evolving FinTech industry in India.

7. Recommendations

Corporate Governance Ratings (CGR) is an opinion on relative standing of an entity with regard to adoption of corporate governance practices. It provides information to stakeholders about the level of corporate governance practices of the entity.¹

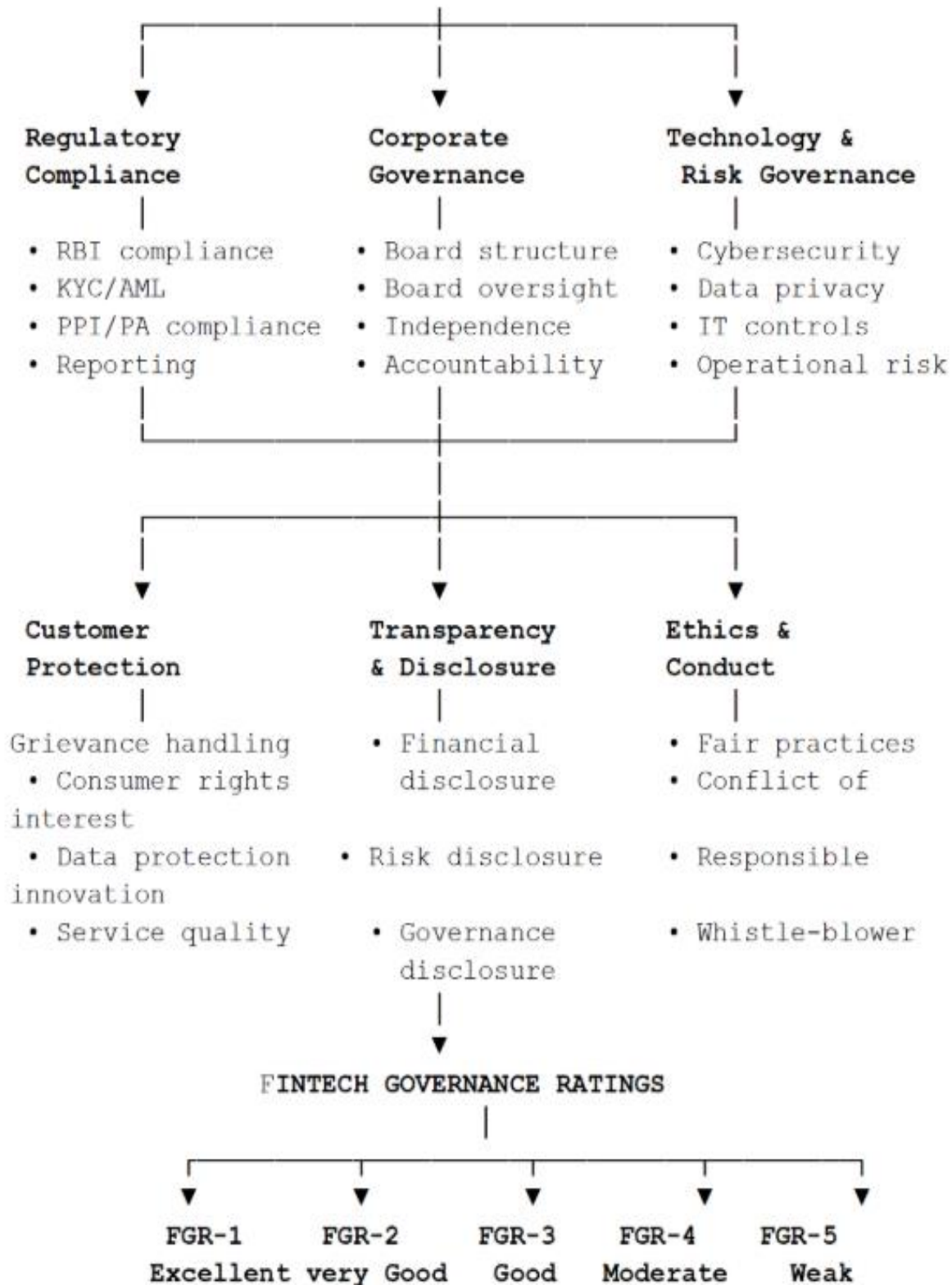
According to the above definition, the ratings are given to the companies on the basis of their governance fulfilment. Some of the leading companies in India such as CRISIL, ICRA and BSE, use to offer these ratings to the corporates. The FinTech companies should have to go for the governance ratings.

Considering the findings and discussion of this research paper, it is recommended that the FinTech companies must go for corporate governance ratings. The ratings can provide an independent and comparable assessment of governance practices beyond conventional regulatory compliance. A credible governance rating may help FinTech companies strengthen the trust of customers, investors, lenders, regulators and other stakeholders.

The following framework of ratings is recommended for FinTech governance.

¹ Infomerics Ratings. Corporate Governance Ratings Methodology

Graph 1- Corporate Governance Ratings Framework for FinTech (FGR)



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