

Digital Finance: Transforming Entrepreneurship in India

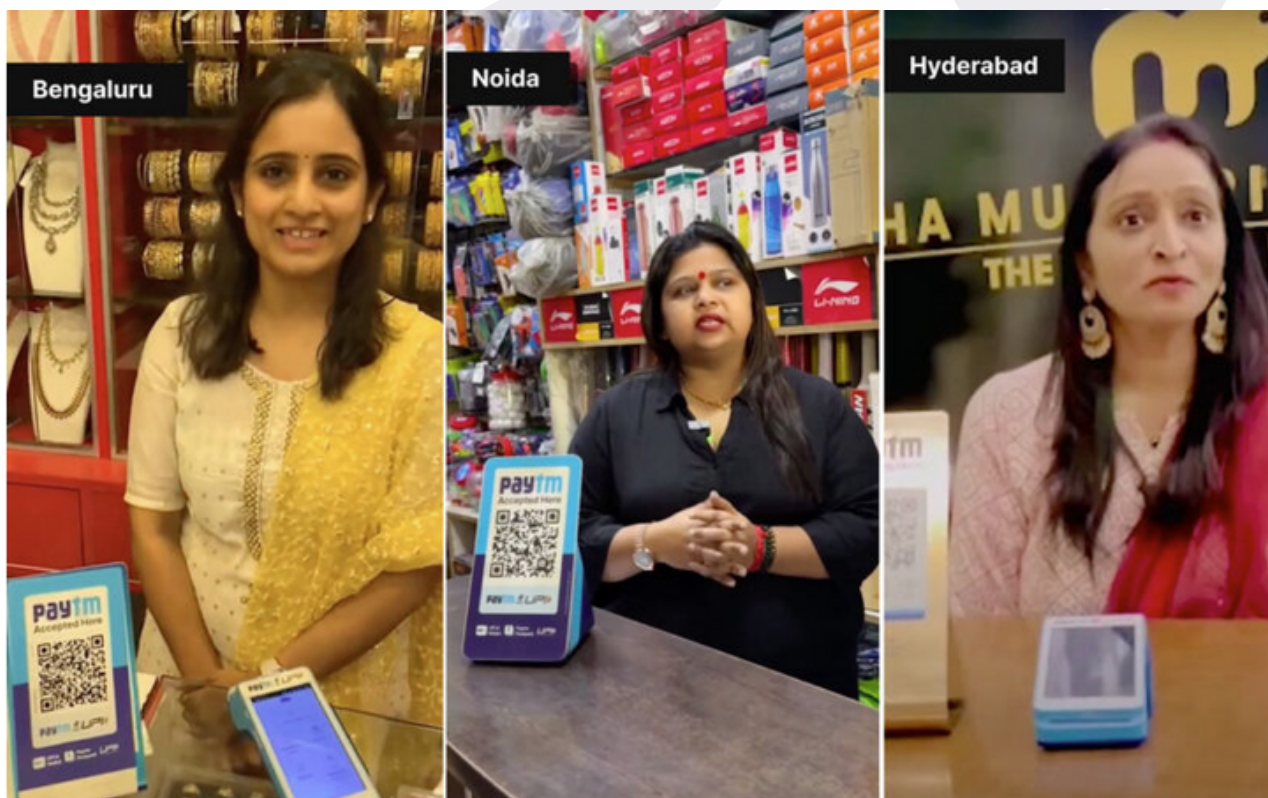
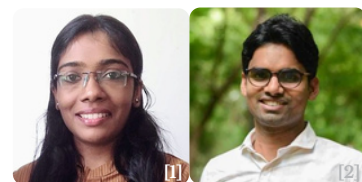
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Entrepreneurship is often acknowledged as the engine which drives economic growth and employment creation. In a country as dynamic and diverse as India, entrepreneurship flourishes not only in tech hubs, but also in local markets, on busy streets, in remote villages, and increasingly online. However, having access to funds is essential for starting or growing any kind of venture. Existing and potential entrepreneurs from disadvantaged groups in entrepreneurship (such as women, youth, immigrants, seniors, and those starting from unemployment) and those involved in social entrepreneurship face greater barriers to access to finance. In addition to a lack of financial competence, collateral, and credit histories, some of the main obstacles are high transaction costs, a dearth of tailored financial solutions, difficulties assessing risks, and preconceptions among lenders and investors (OECD, 2022).

The Alliance for Financial Inclusion (2016) defines Digital Financial Services (DFS) as “the broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances and insurance.” These digital tools - called digital finance platforms -are tech-enabled systems that deliver banking and financial services via mobile apps, websites, or even biometric devices. Whether it's paying someone using a digital wallet or applying for a loan online, these platforms are making financial access faster, easier, and far more inclusive—especially for people who were previously left out of the traditional banking system.

As noted by Lauer & Lyman (2015) these platforms have democratized access to financial services, making it affordable and easy to access. For street vendors, small business owners, and micro-entrepreneurs, these services do more than just offer convenience—they create an economic identity and a credit history, enabling more people to qualify for loans, insurance, and other financial services. India, in particular, has taken a global lead in building what's known as Digital Public Infrastructure (DPI) — open, secure, and scalable systems designed to serve the masses. The most notable example is the India Stack, a homegrown digital infrastructure whose key components include Aadhaar (for digital identity), UPI (for payments), e-KYC (for identity verification), and DigiLocker (for secure document storage). The JAM (JanDhan, Aadhar and Mobile) trinity, together with fintech innovations has enabled even the smallest entrepreneurs to operate in a cashless, connected economy, enabling street vendors, artisans, and home-based entrepreneurs to receive and make payments instantly and at zero cost.

One of the biggest advantages of digital finance is that it makes credit more accessible to people who have been left out of the formal banking system. Traditional banks usually require collateral or strong credit history requirements, which act as a barrier for many small entrepreneurs. But digital lenders are changing the far followed criteria by looking at alternative data like mobile phone usage, payment patterns and utility bill records to assess the creditworthiness.



Source: Verma (2024), Paytm Blog

Fintech lenders like FlexiLoans, NeoGrowth, LendingKart, etc., along with government schemes like MUDRA, have made it much easier for small businesses to get the funds they need without drowning in paperwork.

The Pradhan Mantri Mudra Yojana (PMMJY) has sanctioned over 52 crore loans worth ₹82.61 lakh crore, since its launch in April 2015, fuelling a nationwide entrepreneurial revolution. The scheme has played a pivotal role in promoting women-led enterprises across the country, as women account for 68 per cent of all Mudra beneficiaries. Moreover, 11 per cent of individuals who have availed Mudra loans are from minority communities, illustrating the initiatives' role in promoting inclusive economic development by facilitating the engagement of marginalised groups in the formal economic framework (PIB,2025). Although MUDRA is a government-led microfinance initiative, what truly sets it apart today is how seamlessly it's been integrated into the digital ecosystem. Entrepreneurs can now apply online, complete their KYC process using Aadhar, and receive funds directly in their bank accounts through Direct Benefit Transfer (DBT). These digital features have made the entire process faster, simpler and far more accessible – especially for small business owners who may not have the means or time to navigate traditional credit systems.

Mobile wallets like PhonePe, Paytm, and Google Pay have become a part of everyday business for small vendors, shopkeepers, and even home-run enterprises by making sending and accepting payments quick and hassle-free. At the same time, a new wave of Neobanks (virtual banks)—such as Jupiter, Fi Money, and InstantPay — are offering smart, user-friendly financial tools designed for today's digital generation. Through the use of a smartphone, entrepreneurs can now effortlessly perform tasks such as generating invoices, managing expenses, opening digital accounts, and accessing credit. These innovations simplify financial operations by eliminating paperwork and offering features like real-time tracking, enabling business owners to concentrate more on expanding their ventures rather than navigating complex banking procedures.



Source: Arun (2025), India Today

However, despite its benefits, digital finance continues to face significant limitations. Lack of proper financial and digital literacy, inadequate last-mile digital infrastructure and the in-built biases within the digital systems remain as critical barriers. These challenges hinder the goal of achieving truly inclusive access to financial services, particularly among marginalised populations.

Promoting inclusive entrepreneurship through digital finance could significantly impact India's goal of becoming a \$5 trillion economy. Digital finance is changing the face of entrepreneurship in India by helping people from all corners of the country, despite their background get the financial support they need to turn their business ideas into reality. From street vendors to women running small businesses in villages, digital tools are making it easier for everyone to access credit, make and receive payments and manage money. This shift is breaking down old barriers and giving more individuals and entrepreneurs a fair chance to grow. Essentially, digital finance is not just supporting entrepreneurship: it is reshaping it for the digital age.

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