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EDITORIAL

EMBEDDED FINANCE

India is undergoing a significant transformation in all sectors, more particularly in financial services. In the past, the people of India relied mainly on traditional banks for financial services in the form of payments, loans, insurance and investments. Later, these services were offered to people through bank branches, ATMs or banking apps. With the advancement of technology and digital platforms, a new approach called **Embedded Finance** is changing the financial landscape, particularly in India. Embedded Finance refers to the integration of financial services within non-financial platforms. This means that the users can now access the financial services directly while using other digital services such as e-commerce, ride-hailing, food delivery or even educational platforms. For example, when booking a ride on Ola or Uber, the users can pay through UPI, without switching to a separate payment app. When shopping on Flipkart or Amazon, the customers are offered instant credit (loan) or insurance options at checkout. This new service saves time of users, simplifies transactions and provides financial solutions at point of customers' need.

India is well-positioned to benefit from the shift of financial system, offered through the new technology. Several key factors such as widespread smartphone usage, affordable internet, a growing digital-savvy population, strong digital public infrastructure etc., have enabled the rapid growth of embedded finance in India. The development of platforms such as Unified Payments Interface (UPI), Aadhaar, and the Account Aggregator Framework have played critical roles in offering financial services, the more accessible and interoperable. Additionally, the Digital India initiative, introduced by the Government of India, encouraged the adoption and use of digital tools across various sectors, paving the way for innovations in fintech.

The chief merit of embedded finance in India is its ability to promote financial inclusion. It is to be noted that millions of people, in rural and semi-urban areas of India, still face challenges in accessing formal banking and financial services. In this context, embedded finance offers a practical solution, by delivering financial products and services, through platforms to all segments of people already use in their daily lives. For instance, grocery store owners can now access business loans through their billing or inventory apps. Similarly, farmers can buy crop insurance while purchasing

seeds from agri-tech platforms. Besides, gig workers and delivery agents in India, can get instant salary advances through work-related apps. These financial services do help to bring the unbanked and underbanked population into formal financial system.

Commercial banks and financial institutions in India have already started embracing this change. Many financial institutions, including commercial banks, have started collaborating with fintech companies, e-commerce platforms and mobile app developers to expand their reach to all. This approach helps the institutions to reach more customers, without having to expand their physical branch network.

Though the merits of embedded finance are significant for the development of India, it also presents certain challenges to the users. Nowadays, more people use financial services through apps and consumer protection has become the key concern on the part of the financial institutions in India. It is to be noted that many users may not fully understand the risks associated with financial products and services, offered through digital platforms. Therefore, it is important to build trust and awareness among all types of consumers of India, especially first-time digital users. Regulators like the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), and the Insurance Regulatory and Development Authority of India (IRDAI), need to develop clear policies to ensure fair financial practices, responsible lending and secure digital transactions. In other words, finance, as a technological innovation, is a powerful tool for reshaping India's financial system, by offering new financial services through platforms already used by customers. This expands reach, convenient and supports inclusive growth of India. With the right mix of innovation, perfect regulation and right education of consumers, the embedded finance can play a vital role in building a more financially secure and empowered India.

The forty second issue (Vol.21, No.2) of the SMART Journal of Business Management Studies consists of ten articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the Journal academically challenging and strategically stimulating.

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