

F R O S T & S U L L I V A N

2024 TECHNOLOGY INNOVATION LEADER

*IN THE INDIAN
INCLUSIVE FINTECH
SOLUTIONS INDUSTRY*

F R O S T & S U L L I V A N

2024
BEST
PRACTICES
AWARD

AYE [आय]

Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. AYEFin excels in many of the criteria in the inclusive fintech solutions space.

AWARD CRITERIA	
<i>Technology Leverage</i>	<i>Business Impact</i>
Commitment to Innovation	Financial Performance
Commitment to Creativity	Customer Acquisition
Stage Gate Efficiency	Operational Efficiency
Commercialization Success	Growth Potential
Application Diversity	Human Capital

AYEFin: A Revolutionary Fintech Player

India has over 60 million micro scale enterprises that employ 150 million people and contribute 45% of its industrial output.¹ Despite their pivotal role in the economy, the country’s microbusinesses have limited access to financial resources, constrained by a lack of credit history and formal financial records. Devoid of working capital, microenterprises struggle to implement crucial initiatives (e.g., investing in essential equipment, recruiting additional staff, and adapting to market changes), impeding their overall growth and competitiveness.

Founded in 2014 and headquartered in Gurugram, Haryana, India, Aye Finance (AYEFin) is an industry-leading financial technology (fintech) company that empowers microenterprises by providing essential financial support, bridging the gap of the segment’s INR5 trillion unmet credit need.² The company effectively addresses roadblocks within traditional financial systems that impede microenterprises’ access to business loans by leveraging an innovative underwriting system, cutting-edge technologies, and data science. Moreover, it mitigates challenges that banks encounter with lending, such as fraud and delinquency. Owing to AYEFin’s proprietary technology and customized credit products, 800,000+ microbusinesses (i.e., spanning manufacturing, trading, services, and agriculture) have unlocked their potential to grow, thrive, and contribute to the economy more effectively.

¹ Aye Finance Pvt Ltd. (2020, September 30). Process Innovation video [Video]. YouTube. <https://www.youtube.com/watch?v=1ouRFQGgZpE>

² Ibid.

Technology Sparked by a Commitment to Make an Impact

AYEFin advances financial inclusivity by providing microenterprises not only access to financial resources but also guides them in transforming their legacy, high-risk, and inefficient business practices. Through a digital end-to-end lending process and an innovative underwriting system, the company effectively tackles historical barriers (e.g., limited credit history and small-scale loans), safeguarding this vulnerable segment from resorting to risky channels. Furthermore, it drives accessibility to digital banking facilities, offering microenterprises security, convenience, and financial efficiency.

Committed to elevating microenterprises while delivering tangible results, AYEFin showcases remarkable achievements. It disbursed INR 23.51 billion in loan amount in the 2022-23 financial year, reflecting a 49.78% increase from the previous year, attributed to improved technology utilization, including refined credit assessment.³ AYEFin also reports a substantial decrease in cash transactions, with 95% of its customers employing Automated Clearing House for loan repayments (up from 30% at the start of its operations).⁴ Additionally, 40% select to make overdue payments digitally through the Unified Payment Interface.⁵ Furthermore, AYEFin reports minimal cash fraud incidents. In 2022, it maintained its single-digit trend since its inception, documenting only six cash fraud incidents across its 400 branches in India. In contrast, the cash-centric microfinance sector often reports fraud numbers in hundreds. Notably,

“Frost & Sullivan commends AYEFin for its precision in deploying its technologies, enabling solutions and services that effectively address microenterprises’ unique unmet needs. Its early investment in data science and AI demonstrates its innovative edge, helping it unlock advanced capabilities and establish its competitive advantage.”

- Krisha Monish Mistry
Research Analyst – Economic Analytics

AYEFin swiftly recovered 90% of the money through digital footprint tracing.⁶ Moreover, AYEFin boosted digital technology adoption with the customer mobile application (app), encouraging the segment to utilize formal financial tools to monitor and manage their loans and communicate with the company. Finally, owing to a fully digital system, AYEFin has consistently maintained a low unit lending cost, allowing it to cater to the unique requirements of microenterprises, such as microloans, while ensuring a favorable return.

Through strategic partnerships with leading global technology players such as Google, Amazon Web

Services and Microsoft AYEFin leverages advanced functionalities to provide unparalleled, reliable solutions and services. A key technological strength lies in its mobility capability, enabling the company to bolster its customer reach, thus enhancing microbusinesses’ accessibility to funding. By optimizing mobility, AYEFin offers employees on-the-go access to its platform and functionalities via its mobile app. Its mobility technologies empower over 4,000 employees in the field (i.e., spanning sales, credit, collection, and field audit units) to reach and serve customers in remote locations. Employees can seamlessly perform their tasks in the field, employing advanced functionalities like geotagging and offline

³ <https://www.ayefin.com/wp-content/uploads/2023/09/AYE-FINANCE-ANNUAL-REPORT-FY23.pdf>

⁴ Frost & Sullivan Interview with AYEFin (Frost & Sullivan, November 2023)

⁵ Ibid.

⁶ Ibid.

capabilities to complete essential processes, including Know Your Customer and loan applications, without disruptions or constraints.

The company continuously enhances its technologies to boost performance and improve its services and

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- Rubini Kamal
Best Practices Research Analyst

customer experience. In recent years, it has been enhancing its geotagging capability, which it employs to facilitate customer traceability, ensuring the protection of customers and its stakeholders' interests. AYEFin has significantly improved its accuracy, reducing the original deviations of a few kilometers. Consistently enhancing the technology's precision and reliability, the fintech's dedicated engineering team has successfully increased its accuracy from 30% in 2014 to 80% in 2023 in the Indian hinterland. Integral to its operations, it aims to achieve 95% geotagging accuracy and extend its use beyond verifying customer's physical presence. Furthermore, AYEFin consistently enhances its offline

working capability, ensuring seamless operations even in areas with limited connectivity.

AYEFin differentiates itself by focusing on data collection. The fintech established a data science and artificial intelligence (AI) department in 2018, with support from CapitalG (formerly Google Capital) who is its equity partner. Owing to its forward-thinking, AYEFin possesses extensive data across employees, customers, and verticals. This strength empowers it to maintain agility and adaptability, enabling effective responses to evolving challenges and changing circumstances. Powered by Tableau, its data warehouse, the company leverages reliable data flow to react to challenges swiftly, make informed decisions, and mitigate losses. Throughout the COVID-19 pandemic, AYEFin effectively identified clusters under stress and adeptly responded to rapidly evolving changes in the field each month. This advantage allowed AYEFin to tweak its credit policy accordingly to benefit customers and safeguard its bottom line. This capability maintained a single-digit delinquency level compared to the double-digit industry benchmark. AYEFin also uses data internally, for example, to review employee performance or sales numbers, allowing the company to adjust and enhance its operations.

Furthermore, data science is crucial in automating AYEFin's pioneering cluster-based underwriting system, which utilizes distinctive markers and on-the-ground insights of specific industries to enrich limited financial data for accurate risk assessment and informed rate decisions. This approach addresses the challenge of the limited credit history of microenterprise owners, facilitating semi-secured loans and ensuring profitability. Leveraging its extensive data, AYEFin has transitioned from manual to machine learning (ML)-based underwriting. Today, 50% of its underwriting utilizes ML. As clusters expand, the extensive data collected trains its data science engine.⁷ Its ML model can accurately predict risks and determine optimal lending approvals and the lending amounts. Besides underwriting, AYEFin's call center employs a data science rule engine to generate an ML model, predicting customers likely to default,

⁷ Ibid.

reducing overall defaults by 10%.⁸ Additionally, AI/ML aids the company in customer communication. AYEFin utilizes bots to send reminders digitally, reaching customers via Short Message Service or phone calls. This feature is particularly beneficial as its customers are dispersed across India and speak various regional languages.

AYEFin extends its technological capabilities beyond financing, assisting microenterprises in overcoming business challenges through advisory and support via its non-profit arm, Foundation for Advancement of Micro Enterprises. For instance, the company developed an app for the dairy community, establishing a disciplined approach for inputting sales and cow production data. The generated report offers insights into monthly expenses and profits, enhancing customers' understanding of their business. This insight helps them adjust operations and seize opportunities for enhanced growth. It also addresses the medical aspect, supporting livestock health by providing access to quality feed and veterinarians, informative videos of prevalent diseases in their area, and vaccination alerts. AYEFin's dairy development program has achieved a 49% higher rate of milk and a 40% reduction in dairy input expenditure for the community.⁹

Frost & Sullivan commends AYEFin for its precision in deploying its technologies, enabling solutions and services that effectively address microenterprises' unique unmet needs. Its early investment in data science and AI demonstrates its innovative edge, helping it unlock advanced capabilities and establish its competitive advantage.

Positioned for Growth

AYEFin demonstrates high-growth potential. It is well-positioned in the market with industry-leading solutions that provide tremendous value to an underserved segment. In recent years, the company has introduced new solutions to meet the diverse needs of microenterprises. In 2023, it introduced the Shakti loan for women entrepreneurs and a Mortgage loan designed for clients seeking higher loan amounts or longer tenure using property as collateral. In addition to its innovative offerings, AYEFin is gaining a rapidly growing customer base through its extensive nationwide presence. Managing a network of 400 locations spanning 22 states, AYEFin catered to 280,000 customers in 2023, marking a significant increase from 180,000 served in 2022. The company has set ambitious goals to expand its customer base further, targeting 450,000 customers by 2024.

Furthermore, with a considerable workforce of 6,000 employees, including a significant portion stationed in the field, AYEFin maintains a solid and agile operational framework, fueling its robust growth. In the fiscal year 2022-23, the company reports an impressive 56% growth in its loan portfolio, accompanied by a revenue surge from INR 4.43 million the previous year to INR 6.43 million.¹⁰ AYEFin is poised to consistently grow by 55% in the 2023-24 financial year.¹¹ Moreover, AYEFin reports impressive customer satisfaction metrics, garnering a 99% satisfaction rate from post-loan disbursement follow-up calls. It also achieved a high Net Promoter Score of 88% in 2022, Additionally, AYEFin attained a significant 60% repeat

⁸ Ibid.

⁹ <https://advancemsme.org/>

¹⁰ <https://www.ayefin.com/wp-content/uploads/2023/09/AYE-FINANCE-ANNUAL-REPORT-FY23.pdf>

¹¹ <https://www.cnbctv18.com/videos/startup/aye-finance-anticipates-55-60-percent-annualised-growth-promising-a-stellar-year-ahead-17045111.htm>

customer rate, a testament to the dedication of its field staff in supporting and guiding customers through challenges such as navigating digital technology.

AYEFin has the support of prominent investors such as Elevation Capital, CapitalG, Alpha Wave, Light Rock, A91 Partners, and MAJ Invest.¹² Its innovative edge, unique business model, and social impact consistently draw partnerships with leading technology players, ensuring its platform delivers optimal customer value. Through these partnerships, AYEFin has effectively implemented lead management, loan origination, collection management, Navision Enterprise Resources Planning, contact center solutions, data warehouse systems, and cloud solutions.¹³ With a state-of-the-art, robust, flexible, and scalable platform, AYEFin envisions a future filled with diverse opportunities, including the potential to cross-sell products beyond loans, such as health insurance or a gold savings program. Frost & Sullivan believes that with its innovative approach, technological advancements, and robust backing, AYEFin will drive the inclusive fintech solutions space into its next growth phase, capturing market share and sustaining its leadership in the coming years.

Conclusion

Technology is a critical success factor for the inclusive fintech solutions industry. Yet, with many options available, market stakeholders need to leverage the most appropriate and best technology-based solutions to optimize their market impact. By integrating cutting-edge technologies (e.g., Tableau, collection management, contact center solution, and Enterprise Resource Planning system), AYEFin delivers an end-to-end digital lending process that facilitates access to secure and reliable funding and modern financial services for microenterprises. AYEFin stands out from competitors based on its commitment to innovation and creativity while achieving commercial success. While unorganized micro enterprises saw a hopeless future, Aye has created a trail of successful businesses by stubbornly charting its own path. The company is an early adopter of data science and artificial intelligence, empowering it to maintain agility and adaptability to respond effectively to evolving challenges and changing circumstances. Furthermore, it uses this advanced capability to automate underwriting and customer communication, enhancing operational efficiency. Beyond financing, AYEFin leverages its technological strength to assist microenterprises in overcoming business challenges by encouraging formal financial records and providing advisory services, thus helping them increase efficiency and promote growth.

With its strong overall performance, AYEFin earns Frost & Sullivan's 2024 India Technology Innovation Leadership Award in the inclusive fintech solutions industry.

¹² <https://www.cnbctv18.com/videos/startup/aye-finance-anticipates-55-60-percent-annualised-growth-promising-a-stellar-year-ahead-17045111.htm>

¹³ <https://www.ayefin.com/wp-content/uploads/2023/09/AYE-FINANCE-ANNUAL-REPORT-FY23.pdf>

What You Need to Know about the Technology Innovation Leadership Recognition

Frost & Sullivan's Technology Innovation Leadership Award recognizes the company that has introduced the best underlying technology for achieving remarkable product and customer success while driving future business value.

Best Practices Award Analysis

For the Technology Innovation Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Technology Leverage

Commitment to Innovation: Continuous emerging technology adoption and creation enables new product development and enhances product performance

Commitment to Creativity: Company leverages technology advancements to push the limits of form and function in the pursuit of white space innovation

Stage Gate Efficiency: Technology adoption enhances the stage gate process for launching new products and solutions

Commercialization Success: Company displays a proven track record of taking new technologies to market with a high success rate

Application Diversity: Company develops and/or integrates technology that serves multiple applications and multiple environments

Business Impact

Financial Performance: Strong overall financial performance is achieved in terms of revenues, revenue growth, operating margin, and other key financial metrics

Customer Acquisition: Customer-facing processes support efficient and consistent new customer acquisition while enhancing customer retention

Operational Efficiency: Company staff performs assigned tasks productively, quickly, and to a high-quality standard

Growth Potential: Growth is fostered by a strong customer focus that strengthens the brand and reinforces customer loyalty

Human Capital: Commitment to quality and to customers characterize the company culture, which in turn enhances employee morale and retention

About Frost & Sullivan

Frost & Sullivan is the Growth Pipeline Company™. We power our clients to a future shaped by growth. Our Growth Pipeline as a Service™ provides the CEO and the CEO's growth team with a continuous and rigorous platform of growth opportunities, ensuring long-term success. To achieve positive outcomes, our team leverages over 60 years of experience, coaching organizations of all types and sizes across 6 continents with our proven best practices. To power your Growth Pipeline future, visit Frost & Sullivan at <http://www.frost.com>.

The Growth Pipeline Engine™

Frost & Sullivan’s proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

[Learn more.](#)

Key Impacts:

- **Growth Pipeline:** Continuous Flow of Growth Opportunities
- **Growth Strategies:** Proven Best Practices
- **Innovation Culture:** Optimized Customer Experience
- **ROI & Margin:** Implementation Excellence
- **Transformational Growth:** Industry Leadership



The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

Analytical Perspectives:

- **Mega Trend (MT)**
- **Business Model (BM)**
- **Technology (TE)**
- **Industries (IN)**
- **Customer (CU)**
- **Geographies (GE)**

