

## Pilot project for Kisan Credit Card (KCC)

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## PE-VC Report for Fintech Industry Updates

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## Innovations for an Inclusive Financial System

– Rajesh Bansal & Somya Singh

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### Message from the CEO

As a country that is at the forefront of global fintech innovation, India carries an enormous responsibility. And the first step in this journey is to enable access to relevant, sustainable, and frictionless financial solutions to over a billion Indians. At RBIH, we are privileged to be enabling an ecosystem that does just this. Our monthly newsletter is designed to bring you up-to-date with the world of fintech and its impact on our daily lives. I hope you enjoy reading it as much as we have loved crafting it. We'd love to hear your thoughts on how to make it better, so don't forget to get in touch with us!



### Inclusive Credit: The Next Milestone

While at the 17th ASSOCHAM Annual Summit on Banking and Financial Sector Lending, Mr M. Rajeshwar Rao – Deputy Governor, RBI – [spoke](#) about the central bank's approach towards 'Inclusive Credit'. It comprises a three-pronged strategy: a) focus on setting up financial intermediaries for extending digital credit b) function as an incubator for technology infrastructure such as UPI and Account Aggregators to ensure safe and seamless credit disbursement c) pursue a customer-regulatory approach. He also highlighted the RBI working group's recommendations on Digital Lending that aim at improving consumer confidence in adopting digital credit channels.

### Fintech as a Force Multiplier



The Global Fintech Fest hosted in Mumbai is one of the biggest gatherings for fintech professionals and leaders from across the country. At the inaugural address of this year's reserve, Mr Shaktikanta Das – Governor, Reserve Bank of India – [spoke](#) about how sustainable development and technology-led innovation will be key drivers of RBI's policy architecture in the near future.

Stressing that financial inclusion is the bedrock of societal progress, he cited the [pilot project](#) that enables paperless delivery of Kisan Credit Cards (KCC). Developed by the Reserve Bank Innovation Hub (RBIH) and the RBI, the pilot is currently being implemented in Madhya Pradesh and Tamil Nadu in partnership with [Union Bank of India](#) and [Federal Bank](#) respectively. This project will set the template for an integrated and standardized technological platform to facilitate frictionless credit to farmers in India.

The central bank's focus on leveraging technological innovation for financial inclusion is an integral part of the India@2047 vision. The complete speech is available [here](#).

### RBI Guidelines on Digital Lending



In September 2022, RBI released its first-ever Fintech regulations – [Guidelines on Digital Lending](#), based on the recommendations of its working group. Here are some highlights:

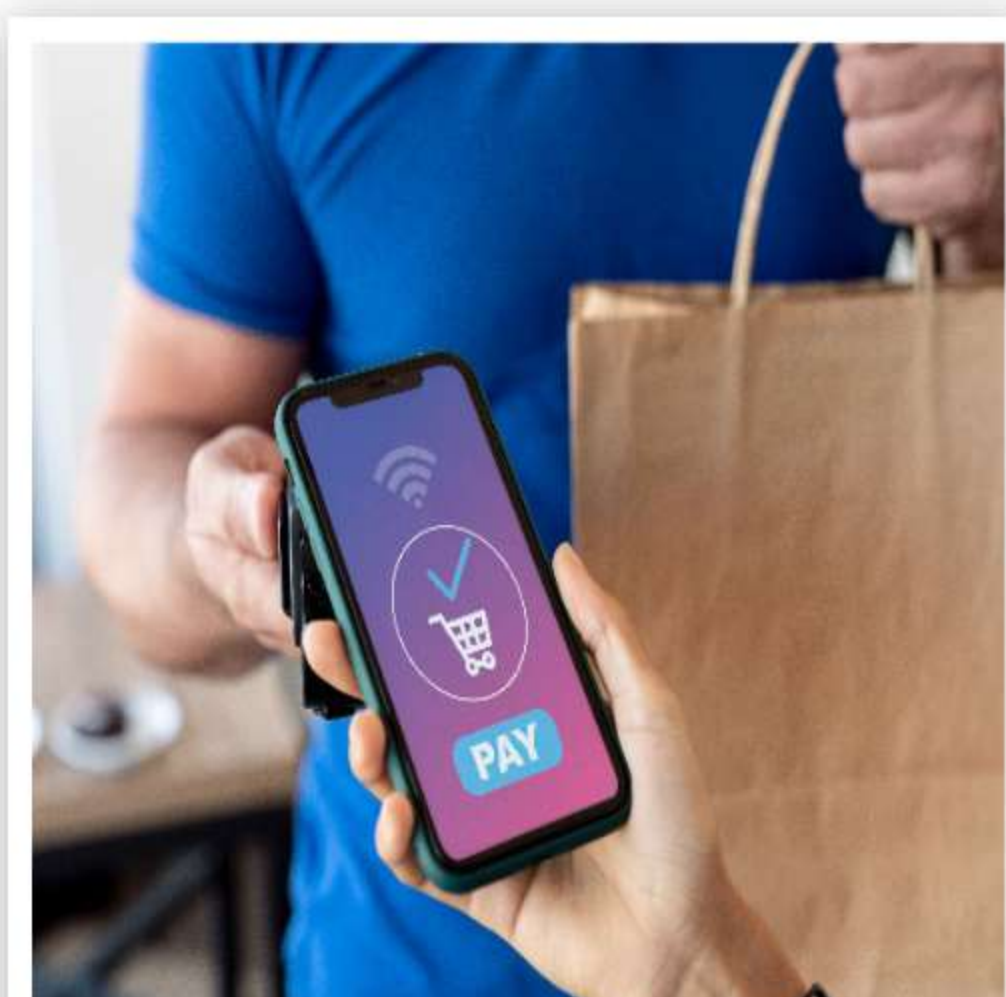
- The guidelines provide unambiguous definitions of different terms associated with the fintech space
- The document reiterates that outsourcing arrangements entered by Regulated Entities (REs) with a Lending Service Provider (LSP) or Digital Lending App (DLA) does not diminish RE's obligations. They will have to abide by existing guidelines on outsourcing as issued by the central bank.
- The guidelines require RE's to put in place a publicly-available, comprehensive privacy policy for access to, collection of personal data, and compliance with technology standards on cybersecurity stipulated by RBI. RE's have time till November 30, 2022 to comply with these guidelines.

### India Fintech – Local to global!



At the recently concluded Global Fintech Fest, Union Finance Minister Ms. Nirmala Sitharaman lauded India's phenomenal success in the fintech space. Countries such as Singapore, Bhutan and France have even shown active interest in adopting India's Unified Payment Interface (UPI)! V. Anantha Nageswaran, India's Chief Economic Advisor, went on to mention that our total fintech market is expected to touch a trillion dollars by 2030, and this next wave of growth could be driven by lending to MSMEs using account aggregator, UPI and the Open Credit Enablement Network (OCEN).

Yet another example of India's expanding global footprint in fintech is the signing of a [memorandum of understanding \(MoU\)](#) between India's International Financial Services Centers Authority (IFSCA) and the Monetary Authority of Singapore (MAS). The MoU allows both regulatory institutions to leverage sandboxes in their respective jurisdictions to support experiments in technology innovations. Further, the MoU also enables sharing of non-supervisory information and other developments in financial innovation in each other's jurisdiction. One of the signatories aptly described this development as one that will serve as the 'launch pad for Indian fintechs in Singapore and landing pad for Singapore fintechs to India.'



### Building India's Digital Payment Landscape

This year's Global Fintech Fest was an eventful one. The National Payments Corporation of India [launched](#) three new initiatives:

- RuPay Credit Card on UPI
- UPI LITE
- Bharat BillPay Cross-Border Bill Payments

While each of these initiatives is independently focussed on solving unique issues in the Indian payment ecosystem, these are collectively designed to extend the reach of digital payments to many new users across India and abroad. Access to digital payments has always been among the first benchmarks of financial inclusion and the fintech industry is expected to build value-add services on the India stack to further extend this reach.



### Tech In Focus – Account Aggregator

Account Aggregator or AA, is often quoted as an example of regulatory innovation. In 2018, RBI was the first regulator to release technical specifications for AA applications. Ever since, the [AA framework](#) has only grown from strength to strength. Driven by strong industry collective and a nudge by the Government of India, the AA framework has seen quick adoption among banks and other financial institutions.

AA stands apart on account of its capability to aggregate financial data from diverse service providers, and to build analytics and insights from this consolidated view. This information not only helps consumers in their financial planning, but also allows financial service providers to offer customised products to their customers. The AA framework also has an important element of 'electronic consent architecture' which improves upon the open banking regimes of many developed countries.

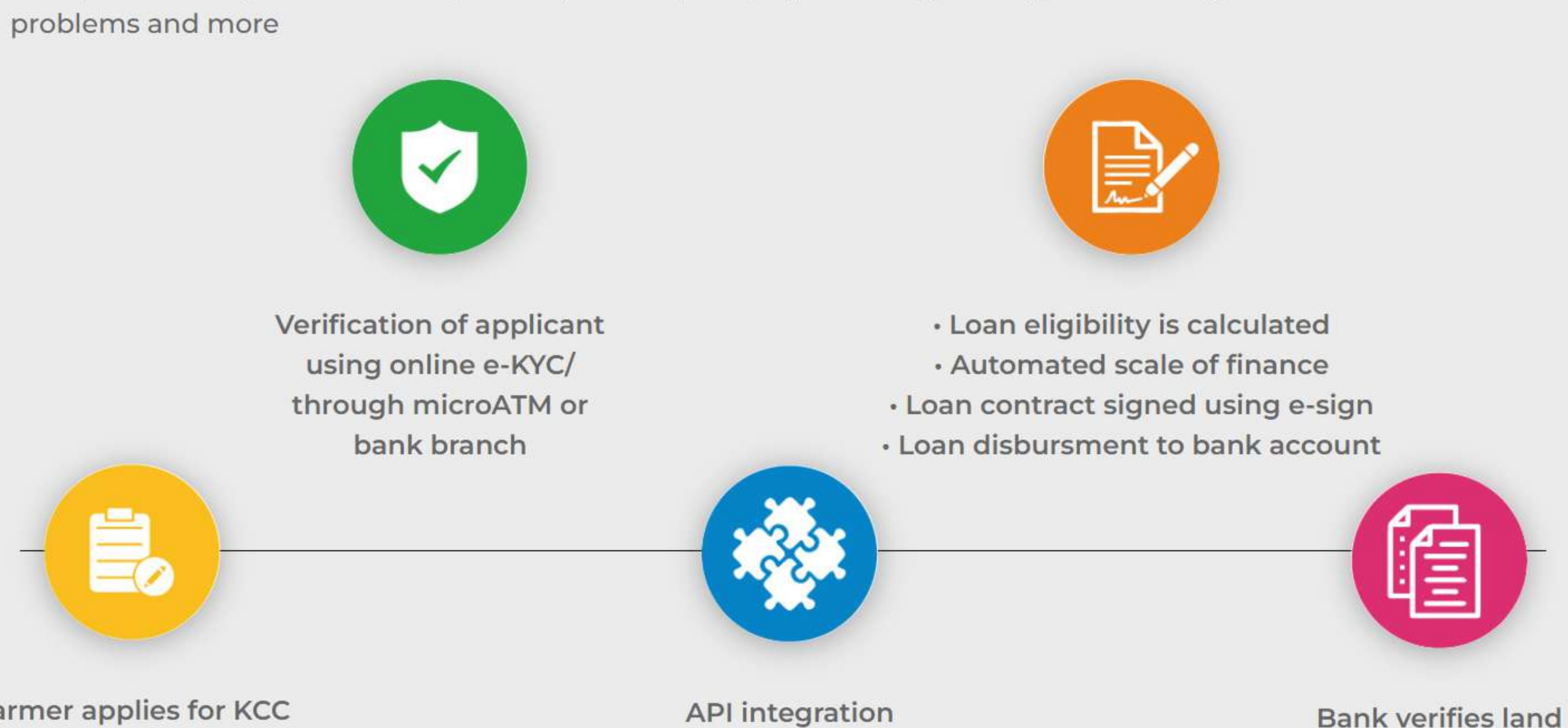
Just as UPI helped onboard Indian citizens to digital payment channels, Account Aggregator has the potential to transform digital credit by making it more seamless and accessible to all.

[RBIH Bulletin](#)

### Kisan Credit Card (KCC) pilot project

Rural finance is closely linked with economic development, especially in a country like India. In this context, we farmers. While there has been both demand and supply, there were many roadblocks in availing credit such as paper-intensive processes, high TAT, and additional costs for farmers.

RBIH, under the guidance of RBI, developed the pilot project for digitalising KCC lending to solve for all these problems and more



### Impact of the Proposed Process



The project is currently being implemented in Madhya Pradesh and Tamil Nadu in partnership with [Union Bank of India](#) and [Federal Bank](#) respectively. On a successful implementation, we look forward to it being made the norm across the length and breadth of the country.

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### RBIH presents the PE-VC Report

There has been phenomenal growth of India's fintech industry in India. With high rates of digital adoption and heavy investments in innovative startups, India's fintech space is leading the way for the world. In such a dynamic environment, there is a need for all stakeholders to stay updated with latest industry ongoing. To this end, RBIH will publish a quarterly Private Equity-Venture Capital (PE-VC) Report – the latest of which can be accessed [here](#).

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### Innovations for an Inclusive Financial System

India's push for digital infrastructure began in 2010, and there has been no looking back since. This has opened up opportunities for banks and financial institutions to make a shift from a one-size-fits-all approach to a more personalised outlook. But does this change seep down to every citizen across the length and breadth of our country? Rajesh Bansal and Somya Singh pen their thoughts on the subject in this article.

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