

Message from the CEO

The New Year is always a time to reflect on the past and look towards the future. 2022 was a year of many successes – we witnessed the success of several strategic projects such as the Digitalisation of the Kisan Credit Card Project, DLT Proof-of-Concept, and the Swarnaj Techsprint. We launched the exclusive CDO Forum, set up working groups on UDAI and Assisted Account Aggregator, and also enabled the co- incubation of promising startups. As we celebrate so many new beginnings, partnerships, and milestones, I take this opportunity to thank each one of you for being part of our phenomenal journey.

Moving into 2023, I am excited to see what the year unfolds – both for the Indian economy as well as for us at RBIH. To begin with, it gives me great pleasure to launch RBIH's first-ever Fellowship Program for bright, dynamic minds. This 18-month program offers unparalleled opportunities in working with industry leaders and emerging technologies as we mentor our 'fellows' to grow into tomorrow's leaders.

Join us as we step into the New Year with a round-up of the industry's latest in this month's edition. Here's wishing you all a very happy and prosperous 2023!



— Rajesh Bansal, CEO-RBIH

Fintech Updates

Green Finance: Next Frontier for Indian Fintechs?

As global leaders joined the **27th Conference of Parties (CoP)**, held under the United Nations Framework Convention for Climate Change (UNFCCC), the public discourse around financing climate change mitigation efforts of the future has once again gained momentum. Climate change is expected to have a disproportionate and cascading effect in developing economies, making it imperative for the market to work in tandem with government initiatives to address this crisis.

Indian fintech companies have been at the forefront of solving problems at scale, placing them in a unique position to contribute to the wider 'Green Finance' ecosystem. Government initiatives such as the **Sovereign Green Bond Framework** (recently released by the Department of Economic Affairs, Ministry of Finance) provides policy directives around which financial products that channel resources towards green projects / businesses can be designed. Innovation focused on products as well as processes that ensure a reduction in carbon footprint and enhance positive environmental outcomes could also become a key business differentiator in the near future. As Shri M. Rajeshwar Rao, Deputy Governor, RBI highlighted in a recent **speech**, "Collective engagement would help build on our early progress and go a long way in addressing the challenges of climate change."



India Fintech News

Measuring India's Digital Economy

Digital Economy – a phrase synonymous with digital service delivery has been around since the 1990s. It is broadly inclusive of digital technologies, products and services that primarily generate, process, and/or store digitised data. Researchers from Reserve Bank of India's Department of Economic and Policy Research (DEPR) have looked to address the issue of lack of credible estimates on India's digital economy size and employment generation potential. In the **December edition** of RBI's Bulletin, the following key findings have been published using the industry's input-output statistics:

1. India's core digital economy has grown from 5.4 per cent of Gross Value Added (GVA) in 2014 to 8.49 per cent in 2019, with a digitally-dependent economy hovering around 22 per cent in 2019
2. India's digital economy grew at 35.62 per cent between 2014 and 2019 – 2.4 times faster than the Indian economy, with strong forward linkages to non-digital sectors
3. Digital output multiplier has increased over time, highlighting the role of investments to drive growth
4. 62.4 million (11.6 per cent) workers are employed in the digitally-dependent economy



These findings are critical for evidence-based policy-making and highly relevant for designing and implementing technology innovations in the near future. These numbers are also proof of dynamic growth in India's digital economy aided by technology enablers such as smartphone availability, access to low-cost internet, credit, and inclusive payment systems. The authors suggest that policymakers can factor in digital multipliers to understand which sectors should be chosen for investment to enhance final demand, which in turn would have a greater impact on the growth of the Indian economy.

Fintech & Regulation



Speaking at the Business Standard Summit held recently in Mumbai, RBI Deputy Governor Shri T. Ravi Sankar made some **pertinent points** about the Indian fintech ecosystem and the scope of its regulation. He laid down the broad contours of risk that the sector regulator is focusing on with respect to technology-driven financial services. Further, regulators need to ensure that non-bank entities lying outside the regulatory perimeter for banks do not undermine the role of the latter, raising financial stability concerns, while at the same time ensuring that efficiency-inducing new technologies are incentivised. In this complex ambience, he highlighted RBI's dual role – as a financial system developer as well as regulator. In its latter role, regulation is premised on three principles, namely encouraging innovation, assimilating the same in the financial system in a non-disruptive manner, and ensuring consumer protection at all steps of digitisation. He concluded by stating that RBI's efforts are aimed at making regulation consultative and collaborative, while maintaining policy independence.

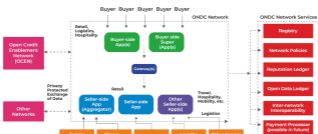
Tech in Focus

Tech in Focus – Open Network for Digital Commerce (ONDC)

Proprietary digital marketplaces are closed ecosystems and need the buyer and seller to be on the platform to execute a transaction. This creates a gap between dispersed buyers and specialised sellers. The Open Network for Digital Commerce (ONDC) is a technology innovation from India that looks to address this issue. It is a network that is platform independent and open for buyers and sellers alike. ONDC has the potential to decentralise e-commerce, eliminating the need for a central intermediary and acting as a market- and community-led initiative. It therefore enables expansion and innovation in the e-commerce ecosystem, and helps it reach every nook and corner of the country.

Technology components of the ONDC are made up of **Adaptor Interfaces** that are open APIs developed on the open-source interoperable specification. These APIs enable the exchange of information for execution of transactions, allowing all participants in the network to interact and integrate using standardised ONDC-certified interfaces. **Gateway Applications** ensure discoverability of all sellers in the network by multicasting the search request received from buyer applications to all seller applications, based on criteria such as location, availability, and other consumer preferences. A list of participants who join the network, and policies applicable to them, is maintained by an **Open Registry**. Lastly, **buyer- and seller-side applications** enable participants to transact on the network. A key feature of the ONDC is that the transaction data is designed to reside only on buyer and seller applications, and is not visible to the network.

Components of open network enabled by ONDC:



Source: ONDC Strategic Paper, January 2022

RBIH Bulletin

Assisted Account Aggregator (AA) Workshop

RBIH hosted a workshop of the Assisted Account Aggregator (AA) Working Group on December 6, 2022 at IIT Bombay. The objective was to brainstorm and finalise the process flows for an upcoming pilot project. The workshop – that included representatives from leading banks, fintechs, and business correspondents – saw enthusiastic participation and enriching discussions from all participants.

The objective of this workshop was to contemplate and agree on how the ecosystem can accelerate adoption of the AA platform, thereby driving financial and digital inclusion – one of RBIH's key objectives. The working group has recommended three process flows by looking at the business and technology viability of AA in an assisted mode while also ensuring consumer privacy and data security. A Proof-of-Concept (PoC) will be scheduled to test the viability of the proposed workflows.



Fintech Roundtable in partnership with SINE IIT Bombay

RBIH in partnership with Society for Innovation and Entrepreneurship (SINE), conducted a Fintech Roundtable on December 15, 2022 at IIT Bombay. The objective was to bring together technology experts, business heads, and thought leaders, along with researchers and academicians working in the area of emerging technologies with a focus on the BFSI sector.

The roundtable included a panel discussion on 'Leveraging Digital India towards USD 5 trillion Economy', followed by a technical presentation by IIT Bombay on areas of work in new & emerging technologies. The group had an in-depth discussion on leveraging AI and ML to bring in enhanced customer experience, improved targeting through market and customer insights, and minimising online fraud. A brainstorm session on 'Building a new generation of deep-tech fintech start-ups through an active Industry Academia (IA) collaboration model', jointly chaired by Mr. Rajesh Bansal (CEO, RBIH) and Ms. Pooja Bhatt (CEO, SINE IITB) concluded the event.

RBIH launches Fellowship Program – Apply Now!

RBIH has opened doors for applications to the first-ever Fellowship Program for bright, young minds. The 12-18 month program aims to mentor young professionals to become agents of change by enabling exposure to systemic, long-term reforms based on innovation in the Indian financial system. 'Fellows' from the program get the unique opportunity to build a strong network, as they collaborate with diverse stakeholders like fintechs, banks, institutes of national importance, regulatory bodies, government bodies etc.



To know more and apply, visit <http://bit.ly/3CRQ65A>

Last date to apply: 30th Jan, 2023.

In case of any queries or feedback, write to: communications@rbihub.in

<https://rbihub.in>

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