Fin(Wrap)

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Message from CEO

Welcome to the latest edition of FinWrap!

As you are aware, The Reserve Bank Innovation Hub is a wholly owned subsidiary of the Reserve Bank of India (RBI) set-up to promote and facilitate an environment that accelerates innovation across the financial sector.

In the dynamic landscape of fintech, the spirit of collaboration is the underlying foundation for sustained growth and innovation. By fostering an environment where collaboration is not just encouraged but celebrated, we pave the way for groundbreaking partnerships, shared insights, and the cross-pollination of ideas that propel the industry forward.

In this edition, we focus on 'Embedded Finance'and its potential to redefine the financial landcape. We also look at the recent developments in the fintech sector and share some highlights from RBIH initiatives during the past month such as, roundtable discussions exploring ‘frictions in supply chain finance’ and ‘frictionless credit repayments’ hosted at our headquarters and interactions with Gen Z to undersatnd their financial preferences.

Warm regards,

Rajesh Bansal
Chief Executive Officer
Reserve Bank Innovation Hub

India Fintech News

The Synergy of Technology and Finance: Shri Shaktikanta Das' Visionary Insights

RBI Governor Shri Shaktikanta Das, delivered an inaugural speech at the FIBAC 2023 Conference in Mumbai, illuminating the profound impact of technology on the financial landscape and the evolving dynamics reshaping India's economic future.

Highlighting the transformative role of technology, the governor emphasized the rapid integration of cutting-edge innovations such as artificial intelligence, internet of things, cloud computing, and data analytics within India's robust services sector.

The services sector representing the largest portion of the nation's GDP, has become the anchor for overall economic growth. The adoption of technology not only amplifies service delivery but also enhances competitiveness, creating opportunities for burgeoning startups focused on technology-driven solutions.

The Governor also underscored the burgeoning collaboration between traditional financial institutions, Non-Banking Financial Companies (NBFCs), and Financial Technology (FinTech) companies. This convergence has paved the way for groundbreaking financial products, innovative services. The advent of digital technologies has revolutionized the accessibility and affordability of banking and financial services, subsequently reducing operational costs and expanding the reach of financial offerings.

However, amidst this financial technology revolution, the Governor cautioned against potential pitfalls, specifically emphasising the importance of prudence in model-based lending facilitated through analytics. While acknowledging the tremendous potential of algorithmic models in streamlining financial operations, he stressed the critical need for these models to be robust, rigorously tested, and continuously recalibrated to adapt to the ever-evolving financial landscape. He also stressed the importance of vigilance against information gaps that might compromise underwriting standards and lead to undue risks within the system.

Shri Shaktikanta Das' address at FIBAC 2023 illuminated the symbiotic relationship between technology and finance, acknowledging the pivotal role technology plays in reshaping the financial services industry. His vision encompassed the transformative potential of technology while advocating for a balanced approach, aligning innovation with prudence to harness the full benefits of technological advancements in the realm of finance.

Innovations in MSME Lending: Regulatory Sandbox's Impact

The Reserve Bank of India (RBI) recently concluded its **third cohort** under the Regulatory Sandbox (RS) program, focusing on 'MSME Lending.' This initiative aimed to foster innovation and test groundbreaking products that could revolutionize lending to Micro, Small, and Medium Enterprises (MSMEs). After rigorous testing and evaluation, five pioneering entities emerged successful, showcasing viable products within the prescribed boundaries of the RS.

Among these entities, FinAGG Technologies Private Limited introduced 'Quick Cash Flow,' Mynd Solutions Private Limited offered 'M1xchange Small-Small,' Rupifi Technology Solutions Private Limited presented 'Pay by Rupifi,' Small Industries Development Bank of India (SIDBI) introduced the product 'GST Sahay,' and SysArc Infomatix Private Limited introduced 'LENDperfect – Shishu Mudra.'

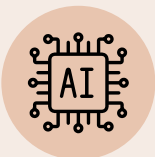
These products, having successfully navigated the RS testing phase, are now positioned for potential adoption by Regulated Entities, contingent upon adherence to regulatory compliance standards. Additionally, the closure of this Cohort signals the opening of the 'MSME Lending' segment for 'On-Tap' applications, encouraging further innovative solutions in this crucial sector.

Fintech News

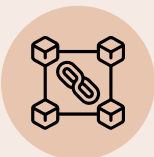
COP28 UAE TechSprint: Bridging Innovation and Sustainability in Finance

In a collaborative effort to promote innovation and sustainable finance, the CBUAE, BIS, and EIF led the groundbreaking **COP28 UAE TechSprint**. Initiated during the COP28 UAE Presidency, it aimed to advance financial technology for climate action.

This momentous collaboration sought to harness the potential of cutting-edge technologies, such as Artificial Intelligence (AI), Blockchain, Internet of Things (IoT), and sensor technologies, to address critical challenges in sustainable finance. The TechSprint focused on three pivotal problem statements:



AI Solutions for



Blockchain Solutions

IoT and Sensor

Sustainable Finance Reporting

for Enhanced Transparency in Sustainable Finance

Technology Solutions for Data Enhancement

COP28 UAE TechSprint brought together a diverse group—technologists, innovators, data scientists, and financial sector stakeholders. They collaborated to create top-notch solutions addressing crucial problems, and supporting climate action via innovative financial technology.

The initiative culminated in recogni winning tech solutions at COP28 UAE, highlighting groundbreaking contributions. Shortlisted applicants received stipends and were featured in a comprehensive TechSprint report showcasing novel fintech solutions' prowess.

Regulatory Measures for Digital Payment Token Services strengthened by MAS.

The Monetary Authority of Singapore (MAS) **published** its final tranche of responses to feedback received on its proposed regulations for Digital Payment Token (DPT) service providers in Singapore, following an extensive consultation process.

In response to feedback from stakeholders and industry participants, MAS has refined a set of stringent measures aimed at fortifying consumer protection and bolstering the operational resilience of the digital payment landscape in Singapore.

Notable aspects of the finalized measures include guidelines focusing on ethical business practices. The regulatory framework encompasses three key pillars addressing business conduct, consumer access, and technology risk management:

Business Conduct Measures

Consumer Access Measures

Technology and Cyber Risk Measures

The enhanced regulatory framework will be rolled out in phases, commencing from mid-2024. This phased approach is designed to afford DPT service providers a transitional period for the effective integration and adherence to these measures.

Tech in Focus - Embedded Finance

The Evolution of Embedded Finance

Embedded finance, a pioneering integration of financial products into non-financial platforms, marks a transformative shift in the financial services landscape. Its emergence as a conduit between traditional banking and diverse consumer-centric platforms is reshaping how businesses offer consumers access to financial solutions.

This innovative approach streamlines the incorporation of financial services into everyday experiences, whether in e-commerce, gig work platforms, or diverse digital interfaces. It not only benefits businesses seeking to diversify without establishing a dedicated fintech arm but also elevates user experience by providing seamless, all-in-one solutions.

For financial service providers, embedded finance opens gateways to broader customer outreach while curtailing the expenses of customer acquisition. Simultaneously, consumers reap the benefits of enhanced cash flow management and affordability for significant purchases, thanks to integrated solutions like payments, buy now pay later options, investments, and insurance offerings.

Underpinning this evolution are three key stakeholders: the financial institution providing the services, the digital platform housing these services, and the embedded finance infrastructure company orchestrating their integration. This tripartite collaboration not only ensures a streamlined user experience but also offers valuable consumer data insights, fostering business growth and customer loyalty.

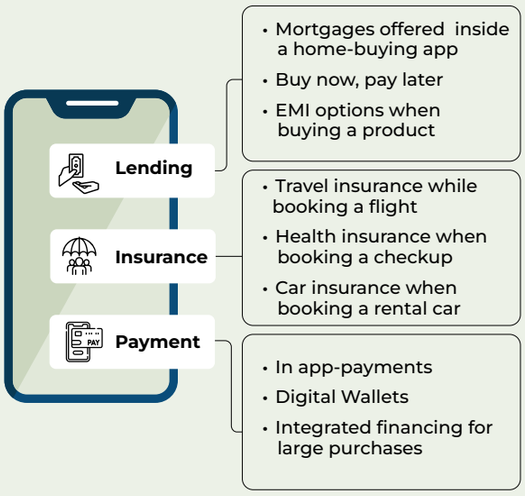
Stages of Embedded Finance

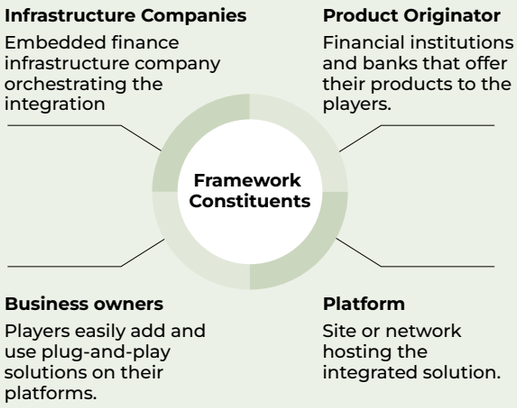
Distribution-as-a-service
Distribution of financial information through existing platform.

Connectivity-as-a-service
Establishing connections between fintech and non-financial companies.

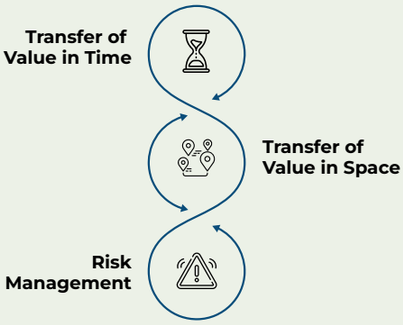
Infrastructure-as-a-service
Emphasis on native integration of financial services and processes through existing platforms.

Embedded finance in our daily lives





Working of Embedded Finance



Source: PayU, 101Blockchain

As embedded finance continues to burgeon, it signifies a fundamental shift in how financial services are accessed and experienced, heralding an era where convenience, accessibility, and seamlessness redefine the financial landscape for businesses and consumers alike.

RBIH Updates

RBIH's Dynamic Round Table Discussion on 'Frictionless Credit Repayments'

The RBIH orchestrated a high-profile round table session on the theme 'Frictionless Credit Repayments: Banks at the Forefront'. This event witnessed the convergence of representatives from nine major commercial banks and the National Payments Corporation Of India (NPCI), setting the stage for a comprehensive exploration of India's credit repayment landscape.

Distinguished stakeholders engaged in an immersive discussion, meticulously dissecting the intricacies and challenges prevalent in the loan repayment and collections domain. This symposium didn't merely dwell on existing hurdles; it aimed higher, envisioning and deliberating on future challenges while brainstorming innovative solutions to fortify the credit repayment ecosystem.

Swanari Dialogues Illuminate Gen-Z's Financial Perspectives

We are thrilled to share the highlights from our recent dynamic Swanari Dialogues session held at our Headquarters. Titled 'Unlocking Financial Freedom for Gen-Z: Understanding their Financial Preferences, Life Goals, and Behaviors,' this engaging event brought forth insightful conversations with our Gen-Z guests.

What truly stole the show were the candid anecdotes and personal experiences shared by our Gen-Z guests. They passionately highlighted their journeys through the complex world of finance, shedding light on the impactful role of social media and technology in shaping their financial mindsets and behaviours.

These enlightening dialogues unveiled a crucial need—to reimagine finance tailored explicitly for the unique needs of Gen-Z.

Frictionless Finance for a Billion Indians

As part of the esteemed Golden Jubilee celebrations at IIM Bangalore, the International Symposium on Digital Innovations, Financial Inclusion, and Sustainability witnessed a compelling 'Leader Speak' session featuring Mr. Rajesh Bansal, CEO of RBIH.

Mr Bansal delivered an insightful presentation on the indispensable role of a robust financial system as a fundamental pillar for national progress. His address was centred on India's pivotal position in the global financial landscape, accentuating the country's strides in digital innovations. He highlighted the intricate synergy between Digital Public Infrastructure (DPI), FinTech advancements, and institutional frameworks, positioning India as the global financial evolution.

Exploring frictions in Supply Chain Finance

RBIH recently conducted a stakeholder roundtable aimed at exploring Frictions in Supply Chain Finance. The roundtable was attended by officials from banks, industry leaders and FinTechs who contributed to an engaging discussion on the Indian Supply chain ecosystem. They delved in to the challenges faced by MSMEs in accessing credit and deliberated upon collaboration opportunities to innovate and solve for last-mile financing for MSMEs.

We thank all the participants who contributed in this discussion and look forward to engaging with the ecosystem further to foster innovations that help in developing resilient and resilient supply chains solution which promote inclusive frictionless credit for MSMEs.

RBIH

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

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