

Digitalisation and Fintech Innovations – Transformative Enablers if Sustainable

(Remarks by Shri Ajay Kumar Choudhary, Chairman, National Payments Corporation of India – March 20, 2024 – 7th Edition of ET Now Best BFSI Brands Conclave at Mumbai)

Distinguished guests from financial institutions, industry, press and media, Ladies and Gentlemen!

It's a pleasure to be here at the 7th edition of ET Now Best BFSI Brands Conclave, themed at "India's Financial Frontiers". I am honoured to be invited to this conclave and deliver a talk on a very pivotal topic "Digitalisation and Fintech Innovations – Transformative Enablers if Sustainable".

The landscape of traditional financial services has undergone a profound transformation, courtesy Digital Technologies, which are reshaping payments, lending, insurance, and wealth management. This process was accelerated during COVID-19 pandemic. The digital transformation has led to improvement in the efficiency of delivery of financial products and services by way of making it cost effective, swifter, efficient, more diverse, inclusive and with the enhanced customer experiences.

Now if we look at the enablers of digital transformation, it is a result of a delicate interplay between underlying digital public infrastructure (viz. JAM Trinity- Jan Dhan- 78% have access to bank account – up from 31% in 2011; Aadhaar- As on 30th September 2023, Unique Identification Authority of India has issued 139.08 crore Aadhaar numbers, and Mobile-1.2 billion in 2022; UPI – 117.60 Billion in 2023; 12 Bn in Feb 2024 – It has also spurred innovations in payment space- Apps, financial services, value added services etc.- mostly created by Government, Regulators and Public Sector Entities), institutional arrangement and the policy initiatives. These key elements help foster an environment that helps in digitalisation, nurturing creative ideas, use of transformative technologies, and leading to beneficial and meaningful innovations in the financial industry.

Here, I would also like to highlight a DPI developed by RBI in association with RBIH and which are currently under pilot run, named as "Public Tech Platform for Frictionless Credit (PTPFC)". This platform enables lenders who connect to it to seamlessly use data from across multiple entities in separate systems, thus obviating the need for multiple bilateral

integrations between lenders and data providers. This end-to-end digital platform is expected to bring in greater efficiency to the entire process of delivery of credit in terms of reduction of costs, improving Turn Around Time, greater scalability, and further expanding the reach of financial services. Once stabilized, this public good would be revolutionary in credit delivery system.

As regards the impact of digitalisation and innovations relating to financial processes, transactions, and services, they have unleashed a wave of efficiency, accessibility, and convenience, which was previously unimaginable. Today, consumers wield the power of financial management at their fingertips. From mobile banking apps to contactless payments, digitalization has democratized financial access, empowering individuals, regardless of location or socio-economic status, to participate actively in the financial system.

Fintech innovation has been particularly significant on the payments front, supported by enabling digital public infrastructure such as the Unified Payments Interface, the interoperable UPI QR Code, and the Aadhaar-Enabled Payment System (AEPS), thus helping formal finance reach billions. NPCI, Banks and Fintechs are quietly revolutionizing the way we navigate our daily routines. Imagine the smooth glide through toll booths with FASTag, the quick tap of your RuPay card at the grocery store, the effortless hop onto the metro with National Common Mobility Card (NCMC), or the contactless instant peer-to-peer / peer-to-merchant payments with UPI on your phone. It's not just about transactions; it's about the seamless integration of technology into our lives, making every moment more convenient, every task more manageable, and every experience more delightful. They are guiding us through the intricacies of modern living, making the journey smoother, faster, secure, and altogether more enjoyable.

The rise of UPI stands as a testament to the transformative power of digitalization and fintech innovations. Launched in 2016, UPI has emerged as one of the world's most advanced real-time payment systems, facilitating seamless peer-to-peer and peer-to-merchant transactions with unparalleled speed and convenience. With its open architecture and interoperability, UPI has transcended traditional banking, enabling users to link multiple bank accounts and access many of third-party fintech services through a single interface. UPI today has over 350 million unique consumers and close to 50 million merchants enabled across the length and breadth of the country into real-time payment

system. 550+ member banks and 100+ Apps (including 22 Third Party App Providers) are part of UPI ecosystem. In February 2024, UPI processed transactions totalling 12.10 billion, with a transaction value over Rs. 18 lakh crore.

NPCI is now also looking at cross-border collaboration and harmonization to support development of robust payment system wherever required, ensure interoperability, and facilitate seamless global transactions in an interconnected world.

Further, by providing a platform for aspiring Indian Fintechs to showcase their ideas and collaborate with industry stakeholders, NPCI is fuelling the next wave of start-up innovations that will shape the future of finance in India and beyond.

While the adoption of newer technologies and innovation hold promises to bring a lot of benefits, at the same time they have the potential for significant disruption. It is essential that they should be applied and used in a responsible manner and ensure that associated risks are well understood and adequately mitigated. Now in this context, if we look at the possible role of FinTech innovations- possibly it should be to develop sustainable FinTech ecosystem and contribute towards a sound financial world. Sustainability, in any sphere, is about balancing the wants of future against the needs of today. Sustainability of financial system, in this sense, is no different. There is thus a need to look closely at the ingredients of this required balance - The balance that can help the Fintech Sector in scaling the heights consistently and sustainably.

Therefore, the challenge is to maximise the benefits of fintech while minimising potential risks for the financial system. Achieving a balance between policy objectives such as fostering innovation on one hand while ensuring that risks relating to consumer protection, market conduct, data privacy and robust cyber security, Integrity of financial system, stability of financial sector, and proper development and use of artificial intelligence (AI) models to avoid any issue on fair treatment and anti-discrimination in extension of credit, are well understood and mitigated.

Having highlighted the need for balance in the sustainable growth of FinTech sector, I believe, be it in life or in business, balance comes from focusing on the right things. Therefore, my prescription for the Technological innovation in the financial sector would be to focus on two key elements, one is customer centricity and other is governance. In

any scenario, customer centricity should always be central to any innovation. Being the more informed, it is pertinent that the responsibility of customer protection falls on the shoulders of the industry and the participants should ensure that all key information is disclosed in a clear and timely manner to customers. One also needs to ensure to avoid any losses to customers, especially by not meeting the suitability and appropriateness criteria as also due to inadequate cyber security system. As regards the governance, we ought to inculcate the values of accountability, fairness, transparency and independence in the processes and people within the organisation. The organisational culture itself should reinforce appropriate norms and culture for responsible and ethical behaviour.

We may also like to add that realizing the full potential of digitalization and fintech innovations for sustainable development requires a concerted effort to address the digital divide, promote digital literacy, and ensure equitable access to technology and digital infrastructure. It also necessitates commercial viability that further foster innovation while safeguarding consumer protection, data privacy, and cybersecurity.

In conclusion, the convergence of digitalization and fintech innovations represents a watershed moment in the history of finance, heralding a new era of financial transformation and empowerment. As organizations navigate this tumultuous landscape, embracing digitalization and fostering a culture of innovation, customer centricity and good governance will be key to unlocking the full potential of this paradigm shift. For NPCI, the journey towards a digital-first future is not just an aspiration but a mandate, as it continues to spearhead the charge towards a more inclusive, efficient, and resilient financial ecosystem for all.

Once again, I extend my sincere gratitude for the invitation to share my thoughts on such an exciting topic. It's an honour to be among esteemed colleagues and industry leaders.
