

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE
LOK SABHA**

**UNSTARRED QUESTION NO. 2850.
TO BE ANSWERED ON WEDNESDAY, THE 15TH DECEMBER, 2021.**

FINTECH SECTOR

**2850. SHRI REBATI TRIPURA:
SHRI ANURAG SHARMA:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

वाणिज्य एवं उद्योग मंत्री

- (a) whether India is all set to become one of the largest digital markets in the world with its rapid expansion of mobile and internet networks and if so, the details thereof;
- (b) whether India has a huge potential in Fintech sector in the country and if so, the details thereof;
- (c) whether there has been increase in the investment inflow in the Fintech sector during the last three years and if so, the details thereof and the steps taken by the Government to increase the inflow; and
- (d) the other steps taken by the Government to encourage industry and entrepreneurs to use local talent to produce globally marketable solutions?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री सोम प्रकाश)

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI SOM PARKASH)**

(a) & (b): With Fintech adoption rate at 87% against the global average of 64%, India has emerged as one of the largest digital markets in the world. Fintech Sector has huge potential in India, supported by an enabling policy and digital infrastructure framework.

As per industry estimate, India has over 676 million smartphone users, over 1.2 billion telecom subscribers (wireless + wireline) and 825 million internet subscribers of which approximately 39% belong to the rural areas (as on March 2021).

Further, total number of transactions related to digital payments, a key enabler for expansion of digital markets, has increased from 2,071 crore in FY 2017-18 to 5,554 crore in FY 2020-21. As on date, more than 5179 crore transactions have been reported in the current financial year.

Furthermore, India now hosts the 3rd largest ecosystem for startups globally; 59,593 startups have been recognized by DPIIT across 57 unique industries, of which 1,860 startups belong to the FinTech sector. As of December 2021, India has over 17 Fintech companies, which have gained 'Unicorn Status' with a valuation of over USD 1 billion.

(c): As regards to investment inflow in the Fintech sector, no such data is maintained centrally.

Government has taken several measures to increase investment inflows in Fintech sector. The Pradhan Mantri Jan Dhan Yojana (PMJDY) has been targeted at increasing financial inclusion in India by helping in new bank account enrollment of beneficiaries for direct benefits transfer and accessibility to a host of financial services applications. This has enabled Fintech startups to build technology products to penetrate the large consumer base in India.

Aadhar, the unique biometric identification system, allows the public to access government digital services thereby improving the availability and transparency for social payments including financial assistance to those in need.

Unified Payments Interface is single platform that merges various banking services and features under one umbrella and has been built as a scalable payments platform supporting digital payments in India.

Jan Dhan Yojana, Adhar and Mobile (JAM trinity) alongwith Unified Payments Interface have been instrumental in bringing in transparency, integrity and timely delivery of financial benefits and services to the public.

Key initiatives undertaken by the Government for the Fintech ecosystem in India are listed in **Annexure – I**.

(d): Government has been making continuous effort to promote strong and sustainable industrial development in the country. Some of the key measures undertaken are at **Annexure-II**.

ANNEXURE REFERRED TO IN REPLY TO PART (c) OF THE LOK SABHA UNSTARRED QUESTION NO. 2850 FOR ANSWER ON 15.12.2021.

Key Initiatives undertaken by the Government for the Fintech Ecosystem in India

- a. **Jan Dhan Yojana** has been targeted at increasing financial inclusion in India by helping in new bank account enrollment of beneficiaries for direct benefits transfer and accessibility to a host of financial services applications. This has enabled Fintech startups to build technology products to penetrate the large consumer base in India
- b. **India Stack** is a societal initiative aimed at building public digital infrastructure to promote public and private digital initiatives including accelerated adoption of technology in finance
- c. **Aadhar**, the unique biometric identification system, has allowed Aadhar Enabled Payment System and Aadhar Payment Bridge System:
 - **Aadhar Enabled Payment System** allows individuals to conduct financial transactions on a Micro-ATM by furnishing their Aadhaar number and verifying it with the help of their fingerprint/iris scan
 - **Aadhar Payment Bridge System** allows ease in bulk and recurring Government benefits and subsidy payments, facilitating operations from Aadhaar-linked bank accounts, using the biometric authentication
- d. Development and roll-out of authentication solutions including **digital KYC, video-based customer identification process, and digital signature on documents** has created various safeguards and a hassle-free system for Fintech startups and customers to leverage the technology-enabled solutions in the sector
 - A central repository, **Central KYC**, has been developed for reducing the hassle of undergoing multiple KYCs for different financial institutions. This allows the KYC process of consumers to be conducted only once unless there are any changes in consumer details
 - **KYC and customer on boarding costs** have been reduced significantly enabling expansion of financial services to rural India and opening their accounts
- e. **Unified Payments Interface** has been built as a scalable payments platform supporting digital payments in India
- f. **License for Payments Banks** has further helped in enhancing the financial inclusion drive in the country by allowing the setting-up of payments banks and expanding the access to payments/remittance services. In a bid to promote digital payments banks in the country, RBI has announced an increase to the maximum end of day balance for payment banks to Rs. 2 lakh
- g. **National Automated Clearing House System** has been successfully used for making bulk transactions
- h. **Bharat Bill Payment System** has helped in enhancing consumer convenience to pay bills across utilities and other segments and has been expanded to include all categories of billers who raise recurring bills (except prepaid recharges) as eligible participants, voluntarily

- i. RBI has also developed a **Payments Infrastructure Development Fund (PIDF)** scheme to subsidise deployment of payment acceptance infrastructure in tier-3 to tier-6 centres
- j. The RBI has created a regulatory framework around Peer-to-Peer (P2P) lending by **recognising P2P lenders as Non-Banking Financial Companies (NBFCs)**, thus providing alternative credit access to the unbanked
- k. **IRDAI** has undertaken various initiatives towards **boosting the insurance penetration**, such as permitting insurers to conduct video-based KYC, launching standardized insurance products and allowing insurers to offer rewards for low-risk behaviour
 - **Government institutions** such as the Health ministry and the NITI Aayog are also **supporting the transformation in the insurance industry** through the National Digital Health Mission (NDHM), the Digital Information Security in Healthcare Act (DISHA) and the National Health Stack
- l. A world-class **Fintech hub** has been developed at the International Financial Services Centre (IFSC), **GIFT City** in Gandhinagar, Gujarat to further strengthen the vision of making India a global Fintech hub

ANNEXURE REFERRED TO IN REPLY TO PART (d) OF THE LOK SABHA UNSTARRED QUESTION NO. 2850 FOR ANSWER ON 15.12.2021.

Measures undertaken by the government to boost industrial development in the country

- i. **Startup India initiative** was launched on 16th January, 2016 to build a strong eco-system for nurturing innovation and startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. As on 26th November, 2021, more than 59000 startups have been recognized by DPIIT. The recognised startups have reported over 6.2 lakhs job created. To incentivize Startups, Fund of Funds for Startups Scheme (FFS), and Startup India Seed Fund Scheme (SISFS) schemes are being implemented by the DPIIT.
- ii. Government has put in place a liberal and transparent policy for attracting **Foreign Direct Investment (FDI)**, wherein most of the sectors are open to FDI under the automatic route. Government reviews FDI policy on an ongoing basis and changes are made in the FDI policy regime, from time to time, to ensure that India remains increasingly attractive and investor-friendly investment destination. Measures taken by the Government on FDI Policy reforms have resulted in increased FDI inflows in the country, which year after year is setting up new records. India registered its highest ever annual FDI inflow of USD 81.97 billion (provisional figures) in the financial year 2020-21. These trends in India's FDI are an endorsement of its status as a preferred investment destination amongst global investors.
- iii. Government is working to **reduce compliance** burden in order to spur investment in India. Government is also working to reduce compliance burden on citizen and business and the aim of this exercise is to simplify, decriminalize & remove redundant laws. In order to monitor large database of compliances across Central Ministries/Departments and States/UTs, Government has launched the Regulatory Compliance Portal on 1st January, 2021 (<https://eodbrcp.dpiit.gov.in/>). Based on data uploaded on Regulatory Compliance Portal, more than 25,000 compliances have been reduced by Central Ministries/Departments and States/UTs combined.
- iv. The Reserve Bank of India has come up with **Regulatory Sandbox (RS)** with the objective to foster responsible innovation in financial services, promote efficiency and bringing benefit to consumers. The RS allows the regulator, the innovators, the financial service providers (as potential deployers of the technology) and the customers (as final users) to conduct field tests to collect evidence on the benefits and risks of new financial innovations, while carefully monitoring and containing their risks. The RS is an important tool which enables more dynamic, evidence-based regulatory environments which learn from, and evolve with, emerging technologies.
- v. The RBI has also created a **Reserve Bank Innovation Hub (RBIH)**. The aim of Innovation Hub is to promote innovation across the financial sector by leveraging on technology and creating an environment which would facilitate and foster innovation, in collaboration with financial sector institutions, technology industry and academic institutions.

- vi. **Production-Linked Incentive (PLI) Scheme** for 14 key sectors (including Drones and Drone Components): Government has announced PLI scheme to enhance India's manufacturing capabilities and exports. The schemes have been specifically designed to attract investments in sectors of core competency and cutting-edge technology; ensure efficiency and bring economies of size and scale in the manufacturing sector and make Indian manufacturers globally competitive so that they can integrate with global value chains. The PLI schemes are being implemented by the concerned Ministries/ Departments. There are targeted promotion activities being taken up by concerned Ministries/ Departments for identification of potential global and domestic investors by way of organizing investor networking events, investor roundtables, seminars and one-on-one meetings with potential investors.
- vii. **PM Gati Shakti launched on 13th October, 2021:** It is a National Master Plan for multi-modal connectivity. Gati Shakti— a digital platform — to bring 16 Ministries including Railways and Roadways together for integrated planning and coordinated implementation of infrastructure connectivity projects.
- viii. **Industrial Information System (IIS)** – Government has developed an India Industrial Land Bank (earlier known as Industrial Information System) which provides a GIS-enabled database of industrial areas including clusters, parks, nodes, zones, etc. across the country to help investors identify their preferred location for investment. 4507 industrial parks/estates/SEZs in 5.15 lakh hectares have been mapped on India Industrial Land Bank (IILB) along with net land area availability.
- ix. **Creating world class infrastructure through developing nodes across various Industrial Corridors.** Industrial Corridor Programme is being developed in 04 phases (with 32 nodes) as part of the National Master Plan for providing multimodal connectivity infrastructure for creation of greenfield industrial smart cities with plug and play infrastructure in order to make India a manufacturing hub.
