

FinTech Insights

January 2023



PwC insights of the month

Next-gen microfinance: The role of digital technology

Microfinance empowers low-income households to tackle deprivation by providing financial services and micro-credit that help in income generation, improve livelihoods and enable community integration. Business innovations such as the co-creation of products, partnerships and ecosystem collaborations among banks, microlenders and FinTechs have strengthened the overall value proposition of the microfinance industry. To understand the evolving microfinance landscape – particularly in West Bengal and the northeast region, and the strategic roadmap for the microfinance industry, [read here](#).

FinTech PoV on Indian Union Budget 2023

With Amrit Kaal focusing on a 'technology-driven and knowledge-based economy', the Government of India is enabling FinTechs to drive the financial inclusion agenda through the verticals given below. The key impetus provided by the Government under Union Budget 2023–24 are:

Ease of doing business	FinTech-specific insights
<ul style="list-style-type: none"> Expansion of the DigiLocker services for individuals, micro, small and medium enterprises (MSMEs) and charitable trusts could assist FinTechs in enhancing the quality of their products and services by enabling innovative solutions and cost-cutting and easing customer onboarding processes. The new version of DigiLocker services assists in the recruitment process for verification and integration with the DigiYatra app. Use of PAN card as a common business identifier for all Government digital systems is expected to aid FinTechs in simplifying the KYC process for businesses. The unified filing process could assist companies in sharing information or returns with other agencies, eliminating information redundancy. The establishment of a National Financial Information Registry could enable the availability of real-time credit information to FinTechs, thereby enhancing the seamless processing of loans and reducing the operational cost of lending to the MSMEs. Revamped credit guarantee scheme for MSMEs could enable credit infusion at a lowered rate and improve the credit culture, and help in achieving the financial inclusion agenda. The SEZ Act would now enable Gujarat International Finance Tec-City (GIFT) international financial services centre (IFSC) to act as a unified regulator through the creation of a single-window system for approvals and registrations, thereby helping FinTechs to set up businesses in the region. 	<ul style="list-style-type: none"> Angel tax of 20% under section 56(2)(viib) on foreign investors could impact FinTech funding in India. This provision will remove the exemptions for overseas investors, who would have to pay the tax on a premium in excess to the fair market value (FMV). Increase in tax collected at source (TCS) from 5% to 20% for overseas remittance for buying foreign assets could impact WealthTechs catering to the diaspora of Indian investors investing in foreign assets and FinTech firms providing forex services. Allocation of INR 1,500 crore as a Government subsidy on payments including Unified Payments Interface (UPI) and Rupaya in the maturing digital payments ecosystem could impact revenues for payment gateways/payment aggregators, and also prompt payment service providers to invest in innovative solution channels. Extension of tax holiday for eligible start-ups incorporated up to 31 March 2024 (currently 31 March 2023) – start-ups eligible under DPIIT with turnover not exceeding INR 100 crore are eligible to avail the tax benefits. These tax incentives could encourage start-ups to focus on increasing profitability and build new channels for investment and revenue generation.
Capability and talent development	Technology and innovation
<ul style="list-style-type: none"> The launch of the 'Skill India' digital platform could enable demand-based formal skilling in FinTechs, thereby increasing the talent pool and access to entrepreneurship schemes. The Securities and Exchange Board of India (SEBI) will enhance capacity-building for professionals and functionaries in the securities market and could provide an impetus to the WealthTech domain in India through the maintenance of the National Institute of Securities Market (NISM). 	<ul style="list-style-type: none"> The next wave of payments through UPI Lite and UPI123 could improve the UPI penetration in rural areas and drive financial inclusion. The National Data Governance Framework Policy could help FinTechs, start-ups and academia to foster innovation and conduct research by providing access to anonymised data. Establishment of 100 labs to build applications leveraging 5G services could benefit FinTechs to uncover a new range of opportunities, business models and employment potential across allied sectors.

Environmental, social and governance (ESG)
<p>Outlay of INR 19,000 crore to bring down the carbon footprint under the National Green Hydrogen Mission could enable sustainable technology start-ups and financial services (FS) players to co-create products in areas such as green energy financing and foster public-private partnerships (PPP).</p>

From around the web

January 2023 witnessed some significant developments in the global FinTech ecosystem. A few of these developments have been curated and are outlined below.

Global
<ul style="list-style-type: none"> Universal Digital Payments Network (UDPN) for stablecoins and Central Bank Digital Currencies (CBDCs) were launched at the World Economic Forum (WEF) in Davos. Read more Russia's second-largest bank launches direct payments in rupees. Read more Accenture acquires SKS Group, strengthening its regulatory capabilities for banking clients in Germany, Austria and Switzerland. Read more The Africa Digital Financial Inclusion Facility (ADFI) calls for proposals of projects to promote access and use of digital financial solutions. Read more UAE-based Fintech Galaxy acquires Egypt's Underlie to accelerate open banking and finance operations. Read more Huobi Global has partnered with Solaris for crypto-to-fiat debit card launches in the EU. Read more Insurer Vouch acquired lending start-up Level, targeting fast and efficient underwriting systems. Read more
Funding
<ul style="list-style-type: none"> Jakarta-based FinTech Akulaku raised USD 200 million from Japan's largest bank. Read more DailyPay secured USD 260 million of capital to fuel growth domestically, expand internationally and invest in product innovation. Read more
Regulation
<ul style="list-style-type: none"> The European Supervisory Authorities (ESAs) published a joint thematic report on national financial education initiatives on digitalisation. Read more The European Banking Authority (EBA) published its peer review on authorisation of payment institutions and e-money under the revised PSD2. Read more Federal bank regulatory agencies highlighted key risks for banking organisations associated with the crypto-asset sector in a joint statement. Read more

India
<ul style="list-style-type: none"> Axis bank has teamed with a digital banking enterprise OPEN to provide a fully-native digital current account journey for its customers. Read more FinTechs reach out to the Reserve Bank of India (RBI) to clarify on first loss default guarantee (FLDG) arrangements amid recent guidelines on digital lending. Read more BharatPe gets in-principle approval from the RBI to operate as an online payment aggregator. Read more Non-resident Indians (NRIs) from ten countries can now use UPI to send and receive money if their domestic bank accounts are linked to their phone numbers abroad. Read more CredAble has announced the completion of India's first securitisation of a pool of trade receivable loans in collaboration with Northern Arc Capital. Read more UPI transactions rose 1.3% in January 2023, starting the year with a record high. Read more The Yamuna Authority has prepared a detailed project report (DPR) for FinTech city near Greater Noida. Read more

Incumbent FinTech initiatives

Here are a few incumbent FinTech initiatives launched by Indian FIs in January 2023:

- PhonePe becomes the first Indian FinTech to allow international UPI transactions. [Read more](#)
- 1 Click Capital becomes the first non-banking financial company (NBFC) in India to provide unsecured payroll financing. [Read more](#)
- ICICI bank launched digital solutions for exporters, which include a comprehensive set of banking and value-added services delivered through a single platform. [Read more](#)
- State Bank of India (SBI) launched an e-bank guarantee facility in association with the National e-Governance Services Limited (NeSL). [Read more](#)
- Dhanlaxmi bank launched its retail internet banking services and mobile banking app. [Read more](#)
- South Indian Bank launched an MSME online portal, providing instant online in-principle approval of up to INR 1 crore. [Read more](#)

Regulatory developments

A few important regulatory developments in the Indian FinTech sector are highlighted below:

- The RBI allowed six entities to test FinTech products to deal with financial frauds under the sandbox scheme. [Read more](#)
- The RBI eased fresh know-your-customer (KYC) process, implying KYC can be done remotely through a video-based customer identification process. [Read more](#)
- The RBI released a draft paper on securitisation of stressed assets. [Read more](#)

Top FinTech deals and partnership news – India

Start-up	Sector	Amount raised	Lead investors	Source
KreditBee	Lending	USD 120 million	MUFG Innovation Partners, Mirae Asset Global Investments, NewQuest Capital Partners, PremijInvest, Motilal Oswal and other investors	Read more
SarvaGram	Lending	USD 40 million	TVS Capital Funds and other investors	Read more
Vitraya	InsurTech	USD 4.1 million	Cactus Venture Partners, Season Two Ventures, StartupXseed Ventures and other investors	Read more
Fello	Savings	USD 4 million	Courtside Ventures, Upsparks and other investors	Read more
Gullak	Savings	USD 3 million	TRTL Ventures, Better Capital, Rebel Fund, Goodwater Capital, Y Combinator Continuity Fund, GMSO Venture Partners and other investors	Read more
MPProfit	InvestmentTech	USD 2 million	Rainmatter Capital, eNam and other investors	Read more

Financial firm	Partnered with	Sector	Purpose	Source
actyv.ai	Ratnaafin	Embedded finance	To facilitate embedded B2B buy now pay later (BNPL) offerings	Read more
Niva Bupa	Sundaram Finance	Health insurance	To strengthen distribution through larger branch network	Read more
IDFC FIRST	ToneTag	Banking	To enable acceptance of digital rupee at merchant outlets	Read more

Acquirer	Acquiree	Sector	Purpose	Source
InCred	Orowealth	WealthTech	For the launch of its retail-focused WealthTech platform 'InCred Money'	Read more
Ambit Finvest	SME Corner	Lending	To strengthen its online lending and co-lending infrastructure for MSMEs	Read more

Disclaimer: This is not an exhaustive list; only a few key highlights are mentioned.

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