

DAY 1 SESSION 1.2: DIGITAL TRANSACTIONS IN INDIA, OCTOBER 2021

## Financial Inclusion for the Agriculture Sector

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The Digital India campaign has fostered the development of the fintech landscape. Private sector initiatives have been important for ensuring digital financial inclusivity — particularly in areas, such as agribusiness. Small and community-based farmers who have traditionally not been part of the wider market economy now have access to real-time financial information and applications. Farmers are also able to apply for credit products using fintech apps on their mobile devices. These privately created fintech mechanisms are key for expanding India's economy and ensuring marginalized socio-economic groups are included.



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### Key Takeaways

- 1 Private fintech actors are key players in India's digital finance transformation.**

India's transition to digital financial transactions began in the private sector, with the government becoming involved during the early 2000s. Since then, public and private sector entities have worked to expand access to digital finance to every socio-economic group. As a consequence, since the 2015 launch of Digital India, there has been a concerted effort to develop the social and technological infrastructures necessary for a reliable, inclusive and secure fintech sector.
- 2 The creation of a financial identity is necessary for a user to access credit and a first step towards ensuring digital financial inclusion.**

Access to credit has, historically, been restricted to the upper socio-economic groups in India. Therefore, lending and borrowing is not a common practice across many sectors of society. To address, fintech solution providers are taking a 'user centered design' approach to better understand customer's needs. Governance frameworks including Know Your Client (KYC) improve risk assessment and securitization of loans by providers.
- 3 Digital financial identities streamline and democratize lending.**

New apps in the agri-business sector enable the retrieval of an individual's digital transactions and this information can be used to generate a financial identity for a potential customer. This digital identity allows lenders immediate access to the borrower's financial profile and assess a loan application within hours, rather than the 2-3 months required for paper applications.
- 4 The Indian fintech ecosystem and its compliance with India's regulatory framework.**

The fintech sector works with banks under India's Business Correspondent Model and with private aggregators under specific agreements. This ensures that KYC processes are observed and clients' informed consent is verified. The growing fintech ecosystem is supporting India's digital transformation by moving to a non-monetised economy, while increasing trust and security for all.

#### For further details, please contact:

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