# Jus Corpus Law Journal

Open Access Law Journal – Copyright © 2022 – ISSN 2582-7820

Editor-in-Chief – Prof. (Dr.) Rhishikesh Dave; Publisher – Ayush Pandey



# Probing into the Rise of Fintechs in India

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*Received* 21 October 2022; *Accepted* 01 November 2022; *Published* 05 November 2022

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*The Indian financial landscape has recently witnessed a rise in Fintech entities, particularly in the last five years. Such a trend is welcome considering the developments happening in advanced economies. The rise of fintech has happened across the spectrum of sectors of finance, but there has been a difference in the pace with which it has grown in the different sectors. Any developments affecting the lives of people in general and the financial sector of a country are of utmost importance to the policymakers of the country. This article aims to study the causative factors which led to the rapid rise of fintech in India. "By creating responsive financial products and services that engage all communities and meet their lifestyle needs, access ensures that anybody can actively participate in financial systems. Also, we can give people and businesses agency across their entire lives, enabling them to fully govern their financial lives, by expanding access and with new fintech breakthroughs. More individuals having access to the financial services system is fundamental to the future of money. Fintech and other technology can give consumers safer and healthier options, giving them more control over their daily life."*

**Keywords:** *fintech, company, technology, consumers, sandbox, regulations.*

## INTRODUCTION

The term "financial technology," or simply "fintech", is used to refer to cutting-edge technology aimed at improving and automating the provision of financial services. [1]Fintech is used to assist organizations, business owners, and individuals in better managing their financial operations, processes, and lives. Fintech uses specialized software and algorithms that are operated on computers and, increasingly, on smartphones. The term "financial technology," or fintech, is a blend of both finances as well as technology.[2]

Fintech is an umbrella term that includes a collection of services. Some of the most popular types of fintech are mentioned below:

- Digital banking.
- Payment.
- Trading and cryptocurrency.
- Insurance.
- Deposit and lending.
- Capital raising.[3]

The exhilarating growth of fintech in India can be gauged from the fact that not having the ability to transact through a fintech portal is now an exception rather than a norm. Seeing such a trend it becomes imperative to look at factors that have led to the rise of such entities on the financial scene. Speaking of facts "India is the third biggest fintech market globally after the United States of America (USA) and China which occupy the top two spots. [4] Its current worth of USD 50 billion, which gets converted to an incremental value-creation potential of about USD 100

[1] Julia Kagan, 'Financial Technology (Fintech): Its Uses and Impact on Our Lives' (*Investopedia,* 30 June 2022) <https://www.investopedia.com/terms/f/fintech.asp> accessed 11 October 2022

[2] *Ibid*

[3] Vijaykumar Meti, 'Different Types of FinTech' (*DAYONE,* 29 August 2022) <https://www.day1tech.com/different-types-of-fintech/> accessed 11 October 2022

[4] 'Fintech Laws and Regulations 2022' (*Global Legal Insights,* 25 August 2022) <https://www.globallegalinsights.com/practice-areas/fintech-laws-and-regulations/india> accessed 10 October 2022

billion. [5]By 2025, India will be in a good position to achieve a fintech sector valuation of $150–$160 billion.[6] 67 percent of India's current 2100+ fintech companies were founded within the past five years. [7] Fintech investment flows have been as spectacular, with Indian fintech raising more than USD 10 billion since 2016.”[8] 44 more fintech businesses are valued at least $100 million, and eight have already reached the coveted "billion-dollar valuation" milestone.[9]

Such rapid growth is made possible by the confluence of the following parameters-

- High demand created by the burgeoning internet sapiens.
- Provision of the requisite Investment needed to be enabled by a favourable climate post the global financial crisis of 2008.
- Creation of apt Technology namely Artificial Intelligence, Machine Learning, Internet of things enabling the virtual provision of customer-demanded services, boosted by factors such as the Demonetisation of 2016, and the COVID-19 pandemic.
- Implementation of enabling regulatory mechanisms by the Government by suitability to global trends.

Now we analyze the causative impact of the above-mentioned parameters in a more structured way –

**A LARGER ADDRESSABLE DEMAND**

***Online Revolution:*** The change in the digital behaviour of the Indian population was initiated by the widespread access to the internet to the prior unreached section of the Indian population and unexplored Indian geographies. The penchant has shifted towards the online mode than the physical mode for addressing the financial needs of the consumer due to the comfort and affordability that is provided by the former mode due to the above-mentioned factor.

[5] Ruchin Goyal et al., ‘India FinTech: A USD 100 Billion Opportunity’ (*Boston Consulting Group and FICCI, March 2021*) <https://web-assets.bcg.com/9e/bb/11de3305496dbef780031efeb6b0/bcg-ficci-report-india-fintech.pdf> accessed 10 October 2022

[6] *Ibid*

[7] *Ibid*

[8] *Ibid*

[9] *Ibid*

Smartphone use and internet usage are two key indicators of this growing digitization. India will have 550–600 million cell phones by the year 2020. (60 percent higher than the corresponding number in 2016). [10]Over the last four years, there has been an enormous rise in the number of internet users in India, largely due to the rapidly falling data costs. [11]Over the next few years, India's journey toward digitalization is anticipated to continue due to the predicted addition of about 300-400 million phone users to the already existing numbers.[12]

***Lacuna in the existing financial services*:** India [13]had widely visible whitespaces existing in its former financial setups such as a high population out of the banking net, long procedural formalities for performing simple operations, and a lack of accessibility. The fintech entities saw the inherent visible opportunity in the outward difficulty. Required developments were made by these fintechs to address these lacunae in the financial ecosystem of the country and they are now reaping the benefits of their venture. Although significant developments have been made towards addressing the above-mentioned lacuna in the existing structure, still a lot of opportunities wait to be explored and India will continue to be a major unexplored market shortly.

**ATTRACTIVE INVESTMENT ECOSYSTEM**

***Overall Development*:** Investor confidence has increased as a result of stronger corporate sector fundamentals and a well-capitalized financial system. [14]For example, gross Foreign Direct Investment (FDI) inflows grew from USD 82 billion in Financial Year 2021 to USD 83.6 billion in Financial Year 2022, indicating a rise in investor confidence in the Indian economy. Investments in private equity and venture capital also keep growing.[15] Due to certain government policy initiatives, both domestic and foreign enterprises exhibit positive views. [16]These are dispersed

[10] *Ibid*
[11] *Ibid*
[12] *Ibid*
[13] *Ibid*
[14] Neeraj Bansal, 'Doing business in India' *(KPMG*) <https://home.kpmg/in/en/home/insights/2022/09/doing-business-in-india.html> accessed 11 October 2022
[15] *Ibid*
[16] *Ibid*

among the streamlining of regulations, the digital revolution of numerous industries, and the increased emphasis on infrastructure and connection.[17]

Additional drivers of growth include variables like rising consumer confidence, technical advancements, and other business-friendly policies. [18]Utilizing technology tools and data intelligence driven by digital transformation is essential for decreasing procedural complexity, boosting compliance, and streamlining operations at every level of conducting business. With over 75,000 recognized start-ups operating, India currently boasts of having the third-largest start-up ecosystem in the world. India continues to lead the way in terms of business competencies and product innovation. Technology, healthcare, education, and the energy industries, among others, demonstrate growth potential outside of the fintech industry, creating new business prospects for both domestic and foreign firms. In reality, from the standpoint of FDI, regulations have been loosened in several industries to either raise the investment quota or include it under the automatic route. The conventions surrounding lowered surcharges, concessional taxes, and customs tariffs also support the objective of making doing business easier. A steady economic recovery and several targeted government measures have offered businesses a reassuring backdrop, creating a favourable environment for enterprises looking to invest in India.

***Recent Phenomena***: The rise in Indian HNIs' (high-net-worth individuals') involvement as angel investors is an intriguing trend that has contributed to the sustainability of investment flows. [19]An increase in early-stage funding will result from a new breed of HNIs looking to recycle funds when the present crop of Indian Fintech companies reaches maturity.[20] Also, an interesting trend that has emerged is that the investors are showing their trust in not only the late-stage mature fintechs but also early-stage new fintech. [21]Such diversification of the capital basket is only proof of the future growth potential of Fintechs in India.  IPOs (Initial Public

[17] *Ibid*
[18] *Ibid*
[19] Ruchin Goyal (n 10)
[20] *Ibid*
[21] *Ibid*

Offerings) in the share market by Indian fintech companies have raised approximately $9 billion in 2021, according to reports, and the growth has been forecasted to continue in 2022.[22]

## TECHNOLOGICAL LANDSCAPE

**3*Indian STEM (Science, Technology, Engineering, and Mathematics) talent*:** One of the biggest marketplaces for STEM jobs in India, which produces 31.7% of all STEM graduates globally. [23] In addition, the country is the third largest unicorn hub and is steadily climbing the Global Innovation Index (GII) Ranking released by the World Intellectual Property Organization (WIPO) which is a determinant of India's innovative strength as a rising economy. [24] These encouraging figures attest to India's inherent strength in the scientific field, giving it a strong global place in the STEM arena.[25] The Indian public and universities (particularly the Indian Institutes of Technology [IIT]) have been constantly supplying the skilled workforce that not only has earned respect for itself in the US Silicon Valley but also has served as the frontline leaders in the recent start-up boom.

Major technological giants like Google, Facebook, and Microsoft have since long trusted Indian STEM talent with handling cutting-edge research and addressing regular operational requirements and have also started building capabilities in Indian Information Technology Hubs recently. As a result of these hubs, Fintech has access to a strong pipeline of highly qualified tech people.[26]

***Cost Effectiveness of the Talent Pool*:** The affordable cost of living in India enables businesses to pay for application development skills comparatively less than in other regions. [27]Early-stage businesses place a larger emphasis on such a benefit since they are searching for market entry

[22] Arjun Khurana et al., 'Fintech laws and Regulations India 2022' (*ICLG,* 04 August 2022) <https://iclg.com/practice-areas/fintech-laws-and-regulations/india> accessed 11 October 2022
[23] Anita Kishore, 'Democratising STEM skills is crucial to creating a future ready India' (*Business Line*, 28 February 2022) <https://www.thehindubusinessline.com/opinion/democratising-stem-skills-is-crucial-to-creating-a-future-ready-india/article65094871.ece> accessed 11 October 2022
[24] *Ibid*
[25] *Ibid*
[26] Ruchin Goyal (n 10)
[27] *Ibid*

strategies that will be profitable. Such cost arbitrage has significantly helped Indian tech businesses, including fintech, to succeed.[28]

## THE PANDEMIC EFFECT

"The fintech sector responded well to the pandemic, and its performance during the difficult times of COVID -19 shall serve as a guiding tool for financial market regulators and policymakers across the countries aiming to promote innovation and to capitalize on fintech benefits while mitigating risks to clients, investors, and the functioning of the financial system. [29]Pandemic-aided explosion in UPI (Unified Payments Interface), has led to an acceleration of digital credit.[30]" Within a year of the pandemic, UPI transactions, in quantitative terms, increased by 2.6 times between April 2020 and April 2021, from 1 billion transactions to 2.6 billion transactions over the medium[31]. In Financial Year 2022, UPI accounted for almost 60% of all non-cash transactions in terms of volume.[32] More digital data has been generated as a result of the multi-fold increase in the share of digital payments steered by UPI, thereby enabling more thorough lending underwriting. [33]To top all these developments, the pandemic has promoted increased investment in Indian Fintech companies owing to their promising growth trajectory.

## FUNDAMENTAL INITIATIVES – POLICY FRAMEWORK THAT ENABLED THE GROWTH OF FINTECH IN INDIA

Since fintechs operate over a diverse range of sectors including but not limited to the digital transaction, insurance, capital market, deposits and lending therefore different regulators govern the operation of fintech particular to their sector.[34]

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[28] *Ibid*
[29] 'Fintech Market Reports Rapid Growth During COVID-19 Pandemic' (*The World Bank,* 3 December 2020) <https://www.worldbank.org/en/news/press-release/2020/12/03/fintech-market-reports-rapid-growth-during-covid-19-pandemic> accessed 11 October 2022
[30] *Prateek Roongta et al.,* 'Past Perfect, Future Tense? Themes shaping the future of Fintech's in India' *(Boston Consulting Group,* 29 July 2022) <https://web-assets.bcg.com/e7/ab/51644cf944d686cd121d9c3f4bb4/future-of-fintech-july2022.pdf> accessed 11 October 2022
[31] *Ibid*
[32] *Ibid*
[33] *Ibid*
[34] Arjun Khurana (n 27)

*Key Regulators*

The RBI (Reserve Bank of India), is the regulator of the banking sector in India, SEBI (Securities Exchange Board of India) which looks after the capital market sector of the country, the Insurance Regulatory and Development Authority of India (IRDAI), which is a recently created body to look after the insurance sector owing to deeper penetration of the insurance services in the Indian population, and the Pension Fund Regulatory and Development Authority (PFRDA) which monitors the pension sector. [35] Above mentioned are some of the key regulators, regulating the general financial landscape in India, including fintech businesses.[36] "Online payments and transactions, payment aggregators and gateways, data and privacy, lending and deposit collecting, dealing in securities and derivatives, providing insurance products and services, etc. are all aspects that are governed by the aforementioned authorities. [37]For many financial offerings, prior approvals and licenses need to be obtained from the RBI, SEBI, or IRDAI for a business to commence.[38]

The following is a list of laws and rules that Indian fintech is subjected to:

**RBI REGULATES**

- Payment and Settlement Systems Act, 2007
- Master Directions on Prepaid Payment Instruments (MD-PPIs), 2021
- Framework for Scale-Based Regulation for Non-Banking Financial Companies, 2021
- Directions for opening and operation of Accounts and settlement of payments for electronic payment
- Transactions involving intermediaries, 2009
- Guidelines for Licensing of Payments Banks, 2014 and Operating Guidelines for Payments Banks, 2016

[35] *Ibid*
[36] *Ibid*
[37] Arjun Khurana (n 27)
[38] *Ibid*

- Framework for Recognition of a Self-Regulatory Organisation for Payment System Operators, 2020
- Guidelines on Regulation of Payment Aggregators and Payment Gateways, 2020
- Circular on Processing of e-mandate on cards for recurring transactions, 2019.
- Circular on Tokenisation – Card transactions, 2019

**NATIONAL PAYMENTS CORPORATION OF INDIA (NPCI) REGULATES**

- Various circulars on Unified Payments Interface (UPI) payments.

**SEBI REGULATES**

- Circular on Mutual Funds, 2021

**IRDAI REGULATES**

- Guidelines on Insurance Repositories and Electronic issuance of Insurance Policies, 2015

**Neither cryptocurrencies nor crypto assets are yet subject to any specific regulations.[39] "**

***Underpinnings of Role played by different Fintech Regulators in India***

"Fintech innovation and technology-driven new entrants are usually welcomed in India by financial regulators and policymakers, so long as they fit outside the jurisdiction of broadly recognized regulatory systems. [40]The Government's creation of the International Financial Services Centres Authority (IFSCA) by the International Financial Services Centres Authority Act, 2019 implies an increasing openness to fintech innovation. [41]When it comes to regulation of financial products, financial institutions, and financial services the power to regulate these have been transferred to IFSCA from RBI, SEBI, IRDA, and PFRDAI at the International Financial Services Centre which is headquartered in Gandhinagar, Gujarat.[42]"Innovation is at the

[39] *Ibid*
[40] *Ibid*
[41] *Ibid*
[42] *Ibid*

forefront of all of the regulatory choices that the key market regulators in particular, and the Indian state, in general, have adopted for fintech enterprises in India.[43]

***Sandboxing concerning different Regulators***

***Enabling Framework for Regulatory Sandbox. What it is-***

The term "Regulatory Sandbox" connotes a controlled/test regulatory environment where new products or services are tested in real-world settings[44]. "In this environment, regulators may (or may not) allow certain regulatory relaxations for the specific purpose of the testing[45]. The Regulatory Sandbox enables the regulator, innovators, financial service providers (as potential technology deployers), and customers (as end users) to carry out field tests to gather data on the advantages and risks of new financial innovations while carefully monitoring and containing their risks[46]." It can give the regulator a systematic way to interact with the ecosystem and create policies that support innovation or are responsive to it, making it easier to deliver pertinent, affordable financial products.[47] Regulatory sandboxing is therefore an essential tool for more dynamic, evidence-based regulatory regimes that adapt to and learn from evolving technology.[48] NFC (Near-Field Communication), sound waves, and IVR (Interactive Voice Response) technologies are noteworthy developments from the first three sandbox cohorts that enable offline P2M (People-to-Merchant) payments in rural India. There is now a fourth cohort on fraud mitigation in flight.[49]

***Its impact on the Fintech industry -***

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[43] *Ibid*

[44] 'Enabling Framework for Regulatory Sandbox' *(Department of Banking Regulation Banking Policy Division, Reserve Bank of India*, 2019) <https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/ENABLING79D8EBD31FED47A0BE21158C337123BF.PDF> accessed 11 October 2022

[45] *Ibid*

[46] *Ibid*

[47] *Ibid*

[48] *Ibid*

[49] *Prateek Roongta (n 35)*

By developing and directing fintechs in the proper path while keeping the interests of consumers in mind, the RBI's Regulatory Sandbox has significantly shaped the fintech industry.[50] The regulatory sandboxes seen in numerous financial centres across the world served as inspiration for theme-based architecture, which has up to this point lived up to all expectations. [51]The sandbox has also assisted financial institutions in taking the proper steps to empower the unbanked and attract the interest of the right investors.[52] While providing services at reduced prices, it has assisted with the acquisition of modern technologies as well as increased the market penetration of financial instruments in the Indian market.[53] The Reserve Bank Innovation Hub (RBIH), established by the RBI in late 2020, was also announced as a way to further enhance and amplify innovation in the financial sector by making use of technology along with fostering an environment that further encourages the use of technology in financial operations.[54] RBIH will provide a platform for all financial ecosystem stakeholders to anchor a shared vision and assist them in developing forward-thinking innovation strategies while addressing the most pressing issues in the Indian financial sector.

**SEBI**

To foster innovation in the securities market and give the organizations it regulates the freedom and facilities to test out fintech ideas, SEBI developed the Framework for Regulatory Sandbox in 2020. [55]To encourage innovation in the financial industry, SEBI has developed a website program named "Innovation Sandbox."[56]

**IRDAI**

[50] Karunakar Mohapatra, 'RBI Regulatory Sandbox is Shaping the Future of Indian Banking' (*Finextra*, 15 September 2022) <https://www.finextra.com/blogposting/22907/rbi-regulatory-sandbox-is-shaping-the-future-of-indian-banking> accessed 11 October 2022
[51] *Ibid*
[52] *Ibid*
[53] *Ibid*
[54] Arjun Khurana (n 27)
[55] *Ibid*
[56] *Ibid*

IRDAI established a regulatory sandbox and published the IRDAI (Regulatory Sandbox) Regulations, 2019 to encourage innovation in the insurance industry[57]. Achieving a balance between the insurance industry's orderly expansion and the preservation of policyholder interests, while fostering innovation, is one of the key goals of this sandbox.[58]

***India stack, JAM trinity, UPI***

**India Stack -** Unlocking the economic fundamentals of identity, data, and payments at a mass scale is the goal of the India Stack collection of open APIs (application programming interface) and digital public goods. In an economy where retail transactions are predominately conducted in cash, India Stack is extending access to financial services. [59]The price of verifying people's identities is drastically reduced with a digital ID card[60]. Digital financial transactions between banks, fintech entities, and digital wallets are made possible through open-access software standards. [61]Additionally, consent regulates who has access to a person's personal information. [62]The growth of digital payments, made possible by the stack, is a key factor in India's economic progress. [63]It has helped stabilize rural incomes and increase sales for businesses in the unorganized sector. [64]

**JAM Trinity -** A significant transformation in the realm of financial inclusion has been brought about by the Jan Dhan, Aadhaar, and Mobile (JAM) ecosystem[65]. Additional steps were taken to develop ground-level digital infrastructure that would enable the widespread use of digital payments in a practical, secure, and inexpensive way. [66]Numerous players have entered the market as a result of the untapped potential for capturing value at the base of the pyramid,

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[57] *Ibid*
[58] Arjun Khurana (n 27)
[59] Yan Carrière-Swallow et al., 'Stacking Up Financial Inclusion Gains In India' (*International Monetary Fund,* July 2021) <https://www.imf.org/external/pubs/ft/fandd/2021/07/india-stack-financial-access-and-digital-inclusion.htm> accessed 11 October 2022
[60] *Ibid*
[61] *Ibid*
[62] *Ibid*
[63] *Ibid*
[64] *Ibid*
[65] Shaktikanta Das, 'Financial Inclusion – Past, Present and Future' (Reserve *Bank of India,* 15 July 2021) <https://www.rbi.org.in/scripts/FS_Speeches.aspx?Id=1110&fn=2754> accessed 11 October 2022
[66] *Ibid*

including traditional banks, specialized financial organizations like payment banks, small finance banks (SFBs), and microfinance institutions (MFIs), as well as promising fintech firms[67].

**Unified Payments Interface (UPI) -** "The UPI is a system that integrates various bank accounts, smooth fund routing, and merchant payments into a single mobile application (of any participating bank)." [68]Additionally, it promotes "Peer to Peer (P2P)" transactions that can be timed and paid at the user's convenience.[69]

UPI, which supports fintech with fundamental financial activities like payments, lending, insurance, investments, and other financial solutions, might be considered the foundation of the industry. [70]Nine of the 21 unicorns in payments among the fintech sector's billion-dollar businesses have incorporated UPI technologies for a seamless checkout process across platforms. [71]Legendary businesses such as Razorpay, PhonePe, and Paytm are among them. [72]Nevertheless, PhonePe dominated the UPI market in July 2022 with a 48% overall market share and handled transactions amounting to INR 5.2 lakh crore.[73] Overall growing digital infrastructure, including the JAM trinity, India stack, and UPI, have been essential to the success of the fintech industry.

***Emerging secular themes that will shape the future landscape of fintech in India***

The open architecture of Account Aggregator (AA), Open Credit Enablement Network (OCEN), and Open Network for Digital Commerce (ONDC) are anticipated to democratize payments,

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[67] *Ibid*

[68] 'Unified Payments Interface (UPI) Product Overview' *(National Payments Corporation of India (NPCI))* <https://www.npci.org.in/what-we-do/upi/product-overview> accessed 11 October 2022

[69] *Ibid*

[70] Suprita Anupam, 'Can UPI Take the Next Big Leap Forward after Ushering in India's Low-Cash Moment?' (*Inc42*, 26 September 2022) <https://inc42.com/features/can-upi-take-the-next-big-leap-forward-after-ushering-in-indias-low-cash-moment/#:~:text=UPI%20Drives%20The%20Rise%20Of%20Fintech%20Startups%20In%20India&text=Among%20these%20are%20storied%20companies,worth%20INR%205.24%20Lakh%20Cr> accessed 11 October 2022

[71] *Ibid*

[72] *Ibid*

[73] *Ibid*

credit, commerce, and savings while causing a tremendous explosion in machine-readable data.[74]

### *The Account Aggregator (AA) framework*

A person can digitally access and share information securely from one financial institution with which they have an account to any other regulated financial institution in the network with the help of an Account Aggregator (AA), which is a specific category of RBI-regulated entity (having an NBFC-AA license). [75]Without the person's wilful consent, no personal data of the person can be shared.[76] Consumers in India today have to deal with a variety of inconveniences related to the financial system, including sharing physically signed and scanned copies of bank statements, rushing about to notarize or stamp financial documents, and being required to share their unique username and password to reveal their financial background to a third party.[77] All of these would be replaced by the Account Aggregator (AA) network's easy, smartphone-accessible, straightforward, and secure digital data exchange and access techniques.[78] Therefore, the Account Aggregator (AA) framework will allow for frictionless financial transactions, safe access to data in a common format, and service provider portability. [79]

### *India's Open Credit Enablement Network (OCEN)*

With this framework, the exchange of credit between borrowers, lenders, and credit distributors is standardized and formalized. These standards allow different members of the credit ecosystem to connect easily without having to develop custom APIs and infrastructure.[80] By providing working capital financing for suppliers and order financing for customers, a business can increase the value added to its customer base, encourage more business to flow through its

[74] *Prateek Roongta (n 35)*
[75] 'Know all about Account Aggregator Network- a financial data-sharing system' (*Ministry of Finance, Press Information Bureau,* 10 September 2021) <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1753713> accessed 11 October 2022
[76] *Ibid*
[77] *Ibid*
[78] *Ibid*
[79] *Prateek Roongta (n 35)*
[80] *Ibid*

system as a result of better-funded suppliers, and generate direct income through loan origination fees.[81]

## OCEN'S IMPACT ON FINTECH

OCEN can be used by current fintech marketplaces to simplify their integration processes. [82]Platforms can leverage the established protocol to increase the number of lenders they collaborate with and, at the same time, broaden their product offerings. [83]Making these collaborations' infrastructure costs and upkeep considerably more tolerable is the objective. [84]As a result, incumbents can take advantage of their current domain expertise to fill a variety of new positions in a value chain that uses OCEN[85].

### *Open Network for Digital Commerce (ONDC)*

"Open Network for Digital Commerce (ONDC) aims to advance open networks for all facets of the exchange of goods and services over digital or electronic networks[86]." Open specifications and open network protocols will be used by ONDC, which will be independent of any particular platform.[87]As with the simple mail transfer protocol (SMTP) for email exchange, the hypertext transfer protocol (HTTP) used for information exchange on the internet, and the unified payments interface (UPI) used for digital payments, the foundations of ONDC is to act as an open protocol for all aspects relating to the entire chain of activities about the exchange of goods and services over the digital medium. [88]

These open protocols would be implemented to create open registries and open network gateways, which would facilitate information sharing between service providers and customers.

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[81] *Ibid*

[82] Rahul Sanghi & Aaryaman Vir, 'OCEN: A Conversation' (*Tigerfeathers*, 19 September 2020) <https://tigerfeathers.substack.com/p/ocen-a-conversation> accessed 12 October2022

[83] *Ibid*

[84] *Ibid*

[85] *Ibid*

[86] 'ONDC Project' (*Ministry of Commerce & Industry, Press Information Bureau, 6* April 2022) <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1814143> accessed 12 October 2022

[87] *Ibid*

[88] *Ibid*

Customers and service providers can use any appropriate application of their liking to exchange information and complete transactions over ONDC.[89] As a result, ONDC aims to transcend and transform the platform-centred model of digital commerce currently in practice, which requires both the buyer and the supplier to utilize the same platform or application to be visible online and do business successfully[90].

**IMPACT OF ONDC ON FINTECHS**

Platforms have been implementing "Scaling What Works" as the main strategy up until this point. This model will change to "What Works at Scale" with ONDC to cover all merchants, from a little Kirana store on the side of the road to well-known businesses. [91] The merchant will own the value that buyers and sellers create, and they will be able to operate independently. [92]Digital commerce will be reimagined as an open, welcoming, and competitive market that is beneficial to small businesses[93]. The ONDC is anticipated to democratize commerce, lower acquisition costs, increase small sellers' competitiveness, and improve the price and merchant discovery of customers.[94] Utilizing the architecture throughout journey phases and utilizing technologies like AA, OCEN, and ONDC fintechs will ultimately link to the ringfence of regulated organizations and source customers for payments, credit, and savings[95].

***Available protections which a fintech can use in India to protect its intellectual property (IP)***

IP agreements, such as IP Transfer Agreements or IP Licensing Agreements, can be used to enforce contractual safeguards. [96]Fintech service providers can submit the necessary files with the Office of the Controller General of Patents, Designs, and Trademarks (CGPDTM) or

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[89] *Ibid*
[90] *Ibid*
[91] *Ibid*
[92] *Ibid*
[93] *Ibid*
[94] *Prateek Roongta (n 35)*
[95] *Ibid*
[96] Arvind Ravindranath & Aaron Kamath, 'India: Fintech' *(The Legal 500 & The In-House Lawyer)* <https://www.nishithdesai.com/Content/document/pdf/Articles/181116_A_The-Legal-500-and-The-In-House-Lawyer-Comparative-Legal-Guide.pdf> accessed 12 October 2022

Trademarks and Patents (if eligible). [97]It is not necessary to register for copyright with the Copyright Office to establish copyright in a work. Parties can also include arbitration clauses in their contracts, depending on the particular facts and circumstances.[98] "India is a signatory to both the Geneva Convention on the Execution of Foreign Arbitral Awards, 1927 and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958 (New York Convention). [99]A party may enforce a binding judgment obtained from a nation that has ratified the New York Convention or the Geneva Convention in India if the judgment was rendered in a region that India has designated as a convention country.[100]" Overall, it can be said that the regulatory stance in the country is increasingly nationalistic, supportive of innovation, and protective of consumers which are all factors that contribute towards the growth of Fintechs in India.[101]

## CONCLUSION

India's digital saga is amplified by alongside progress made by Indian fintech, whose development has to be seen in the context of multiple enabling factors including but not limited to the favourable investment ecosystem, an ever-improving infrastructure, a receptive underlying demography, and most importantly a supportive policy framework that is appreciative of grass root level changes if it is driven by innovation coupled with technology. The good news that comes along with these favourable developments is that they are most likely to persist and keep growing in the coming future.[102] Thereby offering a further impetus to the ever-increasing growth of fintech in India.[103]

At the same time, Indian fintech will also have to address the concerns of their sector-specific regulators who are certainly justified in their concern for the security of the financial architecture of the country and are doing their duty towards the citizens of the country by being vigilant

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[97] *Ibid*
[98] *Ibid*
[99] *Ibid*
[100] *Ibid*
[101] Prateek Roongta (n 35)
[102] *Ibid*
[103] *Ibid*

about the nascent developments in their sectors. [104]Therefore, Indian fintech has to walk the tight rope balancing the interests of multiple stakeholders such as the growing number of rich and tech-savvy customers who are keen to have their financial requirements met digitally, the passionate investor who is desirous of seeing their returns multiply in a wink; and most prominently the experimenting customer who has recently joined the bandwagon towards receiving digital education and service.[105] "The ability of fintech to successfully manage and balance these various stakeholders while putting their customers at the centre of everything will be put to the test to achieve sustainable and profitable growth in this dynamic environment[106]. Ultimately, the consumer is king."[107]

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[104] *Ibid*

[105] *Ibid*

[106] *Ibid*

[107] *Ibid*