DECODING IMPACT

DECODING ACCOUNT AGGREGATORS WITH SHALINI GUPTA

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Acknowledgements

Contributors

This podcast was arranged by the **Digital Platforms Team** in Sattva Knowledge Institute and was hosted by **Rathish Balakrishnan.**

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About Sattva Knowledge Institute

Sattva Knowledge Institute (SKI), established in 2022, is our official knowledge platform at **Sattva.** The **SKI** platform aims to guide investment decisions for impact, shedding light on urgent problems and high potential solutions, so that stakeholders can build greater awareness and a bias towards concerted action. Our focus is on offering solutions over symptoms, carefully curating strong evidence-based research, and engaging decision-makers actively with our insights. Overall, SKI aims to shift intent and action toward greater impact by influencing leaders with knowledge. All of our content proactively leverages the capabilities, experience and proprietary data from across **Sattva**.

Introduction: *You are listening to Decoding Impact, a podcast by Sattva Knowledge Institute hosted by Rathish Balakrishnan.*

Welcome to Season Two of Decoding Impact. Every fortnight we will engage leading thinkers and practitioners to understand what it takes to solve systemic problems at scale. For all the curious changemakers committed to understanding the trade-offs and incentives to make this world a better place, this one's for you.

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Rathish Balakrishnan: [00:00:48] India's financial inclusion journey has witnessed tremendous growth in the last few years, driven by improved access to banking, efficient service delivery through direct benefit transfers and the growth of digitisation across the country. Despite these gains, access to financial services remained limited to 86% of the Indian population. Access to credit specifically is a persistent challenge, reflected in the unmet credit need of 25 lakh crores in India. A critical reason for this gap is disaggregated financial data across diverse sources and painful and tedious data-sharing processes. Account aggregators are the first step towards bringing open banking in India and empowering millions of customers to digitally access and share their financial data across institutions securely and efficiently. Account aggregators have the potential to revolutionise investing in credit, giving millions of consumers greater access and control over their financial data, and thereby expanding the potential pool of customers for lenders and fintech companies. As of today, 74% of the 20 million cumulative successful consents given on account aggregators are related to retail lending and micro, small and medium enterprise lending use cases.
To talk more about account aggregators and how they can be applied for financial digital inclusion, we have with us Shalini Gupta, who is a BFSI professional with 20 years of experience with institutions such as McKinsey and ICRA. She is currently the Head of Strategy at Sahamati. Sahamati is a member-driven industry alliance formed to facilitate the adoption of an account aggregator ecosystem in India. Thank you for joining us, Shalini.

Shalini Gupta: [00:02:29] Thank you for having me here.

RB: [00:02:32] Shalini, if you have to do a definition of account aggregators for dummies. How would you explain it to people?

SG: [00:02:40] Yeah. So, to understand the account aggregator you need to start with the India stack. So, what is India stack? It's a modular block of open API technology platform that has been built, and they are arranged in three layers of identity, data, and payments. So, with Aadhar identity issue has been mostly solved, and then came payments which we know how payments have been made interoperable, and now we are working on building the DPI layer which is the data layer, by adding a consent layer to it. So, account aggregator is a network which has been built to empower the customer on two fronts, which is with their own data, and they're saying that this empowerment will come from two fronts. One, the data as a customer, that data belongs to me. So anywhere I need to share the data to access financial services, it has to be done with my explicit consent. So that is one, and then secondly, it is also making the data portable. So as and when I need my data to be shared for accessing financial services, I should be able to do so with my consent. It should be real-time, digital, shared in a secured manner from my existing financial services providers, which we call the financial information providers in the account aggregator parlance, and then share it via the account aggregators to financial services providers, which are potentially wanting to offer a new service or product to the same consumer.

SG: [00:04:10] And they are called financial information users because they're going to use this information to give out the best-fit offer for that consumer. So, this framework is, if you were to look at it in simple terms, it is the UPI of data like you have UPI for payments, you've got UPI for data where you can link all your financial accounts as a consumer to a single account aggregator, handle, manage your consents, and share your data via the account aggregator framework from the FIPs to FIUs via the account aggregator rails. This is trying to address the data friction, which is currently rampant in the financial sector. So, if you today look at any financial service providers, even though they may want to expand their market to segments which are financially excluded, they face 2 or 3 challenges. One, you know, it is very difficult to assess the risk of a customer where there is no bureau history. So, then they restrict themselves to their comfort zone of salaried customers with a stable income profile or a slightly larger MSME. Second, the cost of serving these customers become very high because on average, if a customer needs to take two three rounds to submit their documents to a bank, and the bank needs to connect to 20 or 30 different sets of APIs which are under bilateral agreements with different financial services providers, it may just make the entire lending process unviable, and hence a lot of lenders think that it's better to stick with your segment or they alternatively, you know, go for secured lending.

SG: [00:05:43] They'll say that, you know, "I can give you a loan, but you need to give me collateral." So, the account aggregator framework is trying to shift the country from a collateral-driven lending to a data collateral-driven lending economy, ensuring that anyone who has enough trust signals in their financial accounts be it their banking or insurance, or even their mutual fund investment, anything they must show to me as their trust signals as a lender, I should have easy access to it in a form where it cannot be tampered with or modified with. I can get it in one go and that makes the entire process efficient. Risk comes down, the cost comes down, and the segment is now viable for me to start offering a financial service. So that's where we hope that this is going to be a game-changing, fixing the last broken leg of our lending journey today.

RB: [00:06:40] I want to unpack some of this a little bit more because there are some important aspects of this which may be critical. One is when you talk about financial information you briefly highlighted, it could be mutual funds. It could be any investments you make. What is the broad ambit of financial information that we are talking about? There has been a lot of thinking around how we capture Digital Trail, and with UPI coming in for the first time, know that people are actively making financial transactions, which are essentially cash based right now. So, for the kind of audience, we are talking about, which is typically unbanked people, this is not for people like me and you, but it's for unbanked people. What are some of the transactions that will be most valuable that will unlock credit for them? That will be one question. The second question is this

FIPs and FIUs use financial information providers and users. Roughly who are these types of people? Are these typically the banks and the insurance companies? Are you also seeing them as other potential organisations who can provide this information as well? It'd be great to hear your thoughts on both of these.

SG: [00:07:40] So what is happening with the financial information type? The idea is to capture any data trail which is about the financial assets of the customer. That's where it started from. So, for example Bureau, the credit data is still outside the account aggregator framework. What it has is all the investment details of a consumer, and it all started with the financial sector saying that all four financial sector-regulated entities, whatever data they have about the investments of a consumer, should be made available on account aggregator. Then it got extended to taxation. So, the idea was to say financial investment is one. But a lot of MSMEs who are now looking out for cash flow-based lending or invoice lending for them GSTR invoices is a big, great signal to offer to the lenders, so why not get it on an account aggregator framework? So, GST is now part of the account aggregator. As of now, we have 15 financial information types that are available on the account aggregator. RBI ReBIT has come out with 23 financial information types. So, another five or seven needs to be activated, and parallelly, for your second question, we are working on activating more types of financial information types, which will include, let's say CBDT data.

SG: [00:08:55] Digilocker is keen to be on a framework, but we need to figure out because somewhere there is an overlap in the services they offer, like what an account aggregator does. We are also reaching out to EPFO to get on the EPF data on the account aggregator framework because a lot of employment verifiability comes through EPF and can be powerful for low-income segment working in unlisted category kind of companies where the lending is restricted. So, this is on the FI type in terms of FIP and FIU, the sector works on a principle of reciprocity. So, the institutions you have as FIPs are also the FIUs. So, wherever they have data which they can contribute as per ReBIT-defined types, they can do so. So as of now, there are 92 financial information providers, and they run across all four sectors. We've got banks. We've got another 20 insurance companies. We've got all AMCs and depositories. The two large depositories from the Sebi world live on account aggregator, and we have the central record agencies and the PFRDA live under the account aggregator framework and the financial information user side. It was banks and NBFCs which took the lead because lending is the most obvious beneficiary use case for the framework. They constitute around 70% of the total usage of the framework to date.

SG: [00:10:21] The next biggest use case has been the PFM use case, where again, there is a significant gap and ability to get an is360-degree view of the customer across his financial accounts is something very powerful, and a lot of PFM companies and advisory companies have started using account aggregator framework to offer seamless services and advisory services to the consumers. After that, insurance has also picked up, while insurance has been slow, and that has more to do with their traditional way of working, where no customisation, hardly any data flowing into the product offering, or even the risk assessment. That is a space where we believe a lot of business models have to emerge. So, it's not a simple, plain efficiency game that will drive the insurance sector. It has to be a complete change of the way they look at data analytics, digitisation, offering micro-insurance customised products. So that's been a little slow, but we've seen now companies experimenting with their insurance products, and some of the new-age insurance companies have come out with products based on account aggregator data. That's going to be game-changing.

RB: [00:11:29] For our listeners, what is PFM?

SG: [00:11:32] So PFM is personal finance management. As such, you'll not find this product defined by any of the four financial sectors, but the way it is offered is that it starts with taking a complete 360-degree view of your finances as a customer. So as an advisor, I first need to understand where are you invested in. How much is your income? What are your savings? What is your wealth? What are your life goals and currently given your age, what are the responsibilities you have? And that's where you know, this data can give a complete view of your finances to any advisor or insurance company to be able to start offering a product which is just meeting your requirements. It's not like a random offer which you're making to everyone, which is going to this customer and for the customer. It gives them great power of understanding their finances. A typical person in this, I think a lot of us will also fall. We would not even know how much are we earning and how much are we kind of spending or saving, and that's the start of responsible financing, right the moment I know this is what I have, and then how do I grow and preserve my wealth? Again, wealth is not restricted to middle income or high-income segments. Everyone has wealth. So, whatever that amount is, that wealth needs to grow and there has to be avenues other than fixed deposits where you can make your investments to earn higher income or returns on your savings and wealth. So that's where the PFM offering is very powerful, and that's taken up big time after the account aggregator framework.

RB: [00:13:14] Can you give us a set of the numbers, number of accounts, and number of participants that are there in the account aggregator system today? How big is it today?

SG: [00:13:22] So today, Rathish, if you look at the number of accounts which already have an account aggregator facility. So, these are the accounts on which banks have activated their AA module. So, this is around 1.13 billion, and this will go up with more entities across sectors coming up, which is approximately 50% of the total banking deposits in the country. I would think that RRBs around 25 odds joining in, would have increased further. But the only portion which is not activated on the AA framework currently is the joint accounts and non-sole proprietor current accounts. So that is something which is currently outside the framework in terms of the number of entities, 92 financial information providers across the four sectors and around 250 financial information users, out of which 150+ are from the lending sector and the rest we've got AMCs, insurance companies and brokerage houses, registered investment advisors making up the rest of the pie. In terms of the volume, we've already had around two crores of successful consents delivered via account aggregator, so around 1.8 crore or 18 million customers have linked their accounts to the framework. So that also means that there is some recurring and repeat usage of the account aggregator coming. So, as we move forward, you'll see the gap between the accounts linked and the consent successfully fulfilled, because the customer will kind of use his AA handle for multiple purposes. Our estimate says that around 7000 crore loans have been disbursed via account aggregators, out of which 45 to 50% are MSME loans and the rest 50% are retail loans. As anticipated, to start with, most of these loans are in a ticket size, which will not call financially excluded, but we are now seeing more and more companies experimenting with smaller ticket size loans, you know, credit limit loans or BNPL kind of loans to start using account aggregator. So, we'll see this ticket size coming down significantly from the current 5 to 6 lakhs to - we target to bring it down to one lakh, at least in the next year or so.

RB: [00:15:37] I want to understand this from a user journey point of view, from how it will play out. Let's say I've heard you and all the listeners are listening to this in the podcast and they're like, listen, this sounds fantastic. I want to do this. Is this something that a user can go in and say, I want to opt in to account aggregator, or is it largely a B2B transaction, which is that my bank, for example, let's say if you bank with HDFC, the HDFC Bank has to enable this. Tell me, how does this play out from a user experience point of view and a user journey point of view?

SG: [00:16:05] So Rathish, to start with, as you've correctly pointed out that this is a B2B onboarding experience for the consumers right now, because - so what happens is - this account aggregator journey is embedded in an FIU or a financial institution journey, and at the point where he seeks to collect documents or data about the information, he will direct the customer to an account aggregator domain where on a real-time basis, he can open account aggregator handle, he can link his accounts, and he can give a consent to share his data. After seeing the consent parameters. So, one thing unique is that you see an explicit consent on the screen defining the purpose of the loan, the period for which the data is required, what data is required and when the data will be used. What will be the frequency of the data fetch? So, everything is shown to the customer and he can, with a tap, give consent to share the data. So that's largely where it started from. But as we grow and as customers become aware of the account aggregator framework and the benefits, we are hoping there will be, a few account aggregators will work on a B2C, you know, customer awareness and acquisition channel as well.

SG: [00:17:14] For example, PhonePe is one of the latest entrants to the account aggregator framework, and they gave their B2C app, they will start onboarding B2C handles, you know, direct handles from the B2C channels. So that will come with time. But as of now, like you said, it's a B2B journey and there is a B2C channel completely available to the customer. So even today, if I want and I know about the account aggregator app, I can go to the Play Store, download any account aggregator app, create my account, link my accounts, and keep it ready with me. So as and when there is a bank which comes to me, let's say for documents to be submitted for a lending process, what I'll just need to do is tell him my account aggregator handle, using which he will generate a consent request like you get a payment request in UPI, which will be flashed on your smartphone, and you can just tap to give consent, and the data will be shared in the background via APIs from the FIP to the bank, which is requested the data from.

RB: [00:18:17] You talked about account aggregator apps, what are some of the common account aggregator apps that exist?

SG: [00:18:23] Our RBI-licensed entity - issues a license called the NBFC AA license. So, there are 13 NBFC AAs today in the country, and another five have in-principle licenses which are waiting for their operational license to come in. Some of the early ones are One Money, FinView, and Camps. These were the early ones which started when the framework was launched. They got their license in as early as I think 2018 after the guidelines came in. The newer ones who are coming in are rapidly catching up. So that's how the framework is currently.

RB: [00:18:59] I've been in multiple conversations when they sort of bring up the discussion about why they will share data. I'll give you an example. I was in a meeting with an agri tech company, and they were all talking about sharing data, and everybody is like, why will anyone share data? And the first thing they said, "Look at, look at account aggregate. They have gotten the largest financial users to share data." I'm sure this wasn't an easy decision. I mean, looking at it now with the momentum you've had, it seems like, "Oh, this was always obvious." But having your first set of conversations with the FIUs and FIUs, their question will be, "Listen, my customer data, why will I ever share it with you?" How did that conversation happen? What is the value that they saw?

SG: [00:19:40] So yeah, it was not easy at all. The framework was launched. The guidelines came in 2016, but the framework was officially launched in 2021 September. So, four years after the master guidelines came in, there was a lot of work on the technical specification. The electronic consent framework was adopted, and discussions with GST had started. But, like you said, you know, there is always this fear of parting with the data which you have. We have seen it happening in the bureau world, you know, where there was a lot of resistance, especially amongst the incumbent and the large players, on why should we part with data, and the same was here as well. However, with the government being keen about improving our financial inclusion status, the current landscape today and with their budget announcement they had made where they said that in 2021, we will launch a cash flow-based lending app to ease credit to MSMEs, and so, there was a complete buy-in at the level of the policymakers and regulators to make this happen, and compelling so it happened that we reached out to a few private sector banks and they were the early adopters because the concept is really powerful. You know, if you are a provider, you are also a user. So, it is working on a model of reciprocity.

SG: [00:21:00] And there is a lot of pain points currently in the data collection process. In fact, if you talk to any digital lender, they will say that it has become more than lending it has become a fraud management for me because whatever you're getting, how do you trust it? So somewhere everyone saw that benefit when people reached out. There was initial reluctance, but with some persistence and some encouragement from the policymakers, the first set of eight private sector banks joined the account aggregator framework, and after that, the six months, nothing great happened. So, we were just at 15% of the deposits activated on the framework. What happened was the early adopters, some very positive feedback started flowing in, and that's when again, when it went to the policymakers and they again kind of realised that this is something which needs a continuous kind of support from us. Parallelly, Sahamati, as a body, we were carrying on with our advocacy efforts. We've done more than 500 workshops with different financial institutions, policymakers, regulators. So that is still continuing, obviously, because the first set have come in. So, the government then stepped in and they said that we will do whatever we want to do for GST to be activated on account aggregator framework, the GST Act was amended and approval was given by DOR, which finally RBI also approved and they notified GST as a filing.

SG: [00:22:26] But that happened - in fact later - before that they parallelly started working with the public sector banks. So, we had a series of consultations, workshops with all public sector banks where a lot of presentations on the benefits of account aggregator framework. Why is it important for you to join in? What is in there for you? What is in there for the country as a whole? MSME? So, the entire discussion happened, and finally, in July 2022, we got all 12 public sector banks onboarded. Obviously for these banks there has to be something for them also. Right? They said we are the ones who give bank statement to the entire financial sector, all four sectors. What are we getting in return? So, there was a push and again from each of the four regulators to get their entities onboarded as FIPs on the AA framework and you know, we saw SEBI coming out with a circular notifying the FIPs in their ecosystem IRDAI followed and PFRDA followed. So that onboarding started from July 2022 till December. We had a series of circulars and notifications coming in. So finally, now we are at a stage where, you know, the supply side of it is largely sorted. There are some gaps, but there's nothing, which is like a blocker. So, we are expecting all of them to be onboarded.

SG: [00:23:43] GST is live, now we just need to see how the demand side picks up, and I will not say we are over the challenges because there are a few more apprehensions. But one big shift, which I saw was when we started the discussion, there was always this thing about net giver versus net taker equation. Everyone said that will end up being a net giver. Now we have moved to a situation where those large public sector banks are asking us on a regular basis, when is GST going live, when is CBDT going live we want telecom data. So, you know, that shift has happened. They've realised that this is indeed something which is here to stay, and if it is here to stay and it is so kind of value creating, then better start using it rather than, you know, being stuck on the initial apprehensions, and move forward. So, we are now seeing public sector banks experimenting with a lot of use cases which were earlier not even thought of. Taking account aggregators at the level of a branch were using a QR code like UPI, you can just ask a customer to share their data. So, a lot of changes happen and a lot of work has gone into it. But we are in a good space now.

RB: [00:24:53] I just want to double click on the giver and the taker, because this is the classic game theory problem, right? Like, listen, what is the bargain and the trade-off here? And I'm not an expert here, so you should correct me. I think there's an inherent tension in the financial landscape right now where the incumbent banks are feeling that, "Listen, we've done all the hard work in getting people to a bank account, and all the fintech companies are looking to just harvest all of the data that we have collected." So, they see themselves as custodian of customer data and the fintech companies as people who will just build on it. Do you see that sort of dynamic here, as well as you sort of look at new age companies that are looking to provide credit and loans et cetera? Who may not have any customer intelligence today, but may have technology benefiting from account aggregator approach where the traditional banks are feeling more at risk, saying, listen, I've built all of this and I'm just giving it away. Is this something you heard from the public sector banks as well, and how do you sort of remedy that?

SG: [00:25:50] So there is definitely an underlying tension and that's nothing unique. But it all starts with that and there will always be the challenger, NBFCs, banks, fintechs who will be at the forefront of adopting technology and making the most out of it. But public sector banks do catch up and there is a reason. Even today, public sector banks have more than 50% of the credit accounts in the country. In my discussion with them, I'm like, "You are going to be the biggest beneficiary of it. So just that you need to focus your energies at the right place." Second, the way this has to be looked upon at is that the data belongs to the customer, and with the DPDP act there is a clear shift. The data belongs to the customer. He also has access to multiple channels to access this data. What you're just trying to do is giving him an additional channel to share his or her data, and he will shift. You know, if you're not offering that digital experience or service or a product to the consumer, he'll shift. You can make it a little more difficult to shift, but that shift is definitely going to happen if you don't kind of catch up with the trends, you know, with the digitisation or products or anything of that sort. So, I'm very hopeful. You know, some of the large public sector banks, they have a rock-solid foundation, and once they decide to start using it, they'll be the biggest beneficiary of the framework.

SG: [00:27:09] The third thing obviously we need to do is if they're sharing data, we also need to get them additional data in return, and that's where our endeavour is to make it a single channel. Access to different types of financial information type, not just restricted to bank statements. There has also been a discussion that we need something from the NBFCs. They've been the largest users. So, there is a loan account statement which is very useful for public sector banks. Because bureau data today is dated, there can be almost a month lag. So, there is a request. If you can get that data on the framework, it will help us with the issue of parallel applications fraud that happened in terms of parallel funding. So, we will also be working on that with the government so that it becomes a level field for both sides. But at the end of it, even if that doesn't happen, I think the kind of value it can give to the incumbent banks is something which is significantly higher than any other bank it will be. Our estimates say that for public sector banks, if we were to even assume a very conservative scenario of some savings on cost to income ratio or NPAs or growth in the portfolio, you know, they can end up doubling their profitability in the next five years. So, it's that powerful. So, we just need to work with them to get this going.

RB: [00:28:40] You briefly mentioned that the PSU banks are asking about when this telecom data coming. I think the telecom data is interesting, and for me, it's at a very tantalising introduction of how we look at information. Tell us a little more about it.

SG: [00:28:52] So telecom data is basically very powerful for the MTC segment somewhere. If there's a customer who's just started earning, he doesn't have a bureau record. He's got some transactions in the banking, but that's limited. So, what are the additional signals which show that he's a disciplined customer and a customer who can be trusted with more with some money, some credit, and that's where you know, all your bills, like telecom, your utility bills become really powerful because that shows one gives a lot of information about your residence, stability, you know, your connection, what age it is and all of that, and plus the transactions do tell you something about the customer's behaviour when it comes to, you know, meeting their obligations. A lot of banks and specifically again, fintechs are very keen to experiment with saying that we can offer a small loan to a customer with a good telecom utility payment history, and that takes them from the MTC bucket to a credit serve bucket to start with, and then obviously it opens up the way to get more credit as and when they need in the future. So again, that is we'll have to work around the regulatory structure. But there will be approvals coming in and we're talking about two different regulators here coming together and totally unrelated ones. So, it will be a long way ahead. But we hope that somewhere some will be able to get that kind of data.

RB: [00:30:17] Again, I want to ask you, what is NTC?

SG: [00:30:21] New to credit. New to credit customers who have very limited or no credit history. Again, I know some numbers which will be of interest here. In India today we've got 200 million customers who are credit served, which is just 20% of the population who have a good credit history available and can easily get a loan. There are another 170 million customers who are in this new to credit category, which basically is very limited credit signals available, but they have a bank account, they've got a good banking history. They are working stable income. So, this is a segment which we believe will automatically be empowered by the account aggregator framework to move into the credit served bucket as we move on. Then we've got another 300, 350 million customers who have a bank account, but there's very limited transactions in there. So, some alternate data like telecom and, you know, utility bills or even your post office deposits, if they come on the framework can be really powerful for them to start building up that credit history, and some shift may happen to the new to credit segment from this segment, and then of course, there is a fourth segment which we'll talk about, which is the segment where there is no bank account or there's hardly any banking transaction. So that segment may also benefit, but that may be, in the long run, more like an attitudinal change. The way we've seen that shift happening in the Bureau segment, where we've seen that now customers know the importance of having a good credit history. They are on lookout to building that. That's where we see that that attitudinal shift will happen, where customers now know that it is important for me to transact from my banking channels. It is already easy to transact. So, we just need an attitudinal shift to happen, and that will also, I think, would start happening over the next few years.

RB: [00:32:14] I recently did a podcast with Nachiket Mor and we were talking about digital public goods and of course Nachiket Mor being Nachiket mor in a very erudite way, put it up saying there is a certain Nash equilibrium where a system lands at, where there are some trade-offs, you have to make. For example, you started off by saying that banks find it so hard to get any other information that they settled to an equilibrium where they said, I'll give you secured loans, or I'm going to stick to the customers where I know everything about which actually is a poor trade off, essentially, because a lot of people with whom they don't have data, who may not have a secure collateral, then become a very highly unbanked or under customer who may not get the benefits. One of the things you've explained so well today is that by bringing in account aggregator, we are able to shift the equilibrium where more people now are able to get access to financial facilities, credit being one of them, which I think is important - number one. Number two, I think the NTC, the new credit segment is an extremely important place because for those of us who have information, there is additional value that can come in. But for people like this who are essentially new in their financial journey but have been disciplined. Et cetera. How can we look at other signals? And so, the ambit of financial information then becomes broader. It's about any utility payment, and I know over a period of time we will build sophisticated algorithms to say, if you are recharging your phone so often, which means that you're actually a better customer, if you're moving as much, you're a better customer, but then it becomes easier for us to read other signals.

RB: [00:33:45] That becomes good proxies to get this new India, in my opinion, into the credit system, and almost every conversation that talks about India's growth says that our credit share has to grow. We have to provide more credit because that's an essential way of enabling growth. So that's another important aspect. The third important aspect that you highlighted is the saam-daam-bhed-dand, right? Like how do you get people to come into a system. You need the regulators, you need the government push, you need the initial adopters to give you positive feedback. You need the letters to go out. You need the big players to come in, and I can only imagine, as you're speaking, how hard that must journey must have been. You know, the probably days and weeks that you feel like, listen, is this going anywhere? But then once it happens, it's a hockey stick, and then suddenly things happen very, very rapidly for you to move forward. I think these are fascinating things. So firstly, thank you so much for sharing this. What is Sahamati, what do you do? Because I think it's just assumed that you have a role to play. But for the audience, it'll be great to understand. What is your role? Who are you as an organisation and in sort of making this happen?

SG: [00:34:49] So Rathish, we are a section 8 not-for-profit company and we are working like an industrial alliance, but we are a bottom-up organisation. So, like I said, from 2016 to 2021, there were a lot of things that were being put in place for the framework to start operating, but that was also the time that required a lot of reaching out to the market. There are a lot of other issues because the question is, do I need to sign a bilateral agreement with the account aggregator? Then there was a need for an entity to, you know, there is a need to have a central repository of whitelisted IPs or token service. So Sahamati started with advocacy, and then when the industry started building up, there was a request for us to start hosting certain central techno legal services, which can help in efficient interoperability of the ecosystem. So that was second, as we move forward, again, the same ecosystem participants said that we need a lot of collaboration to come out with solution to sticky challenges, like the entire thing on net giver versus net taker. So, you know what should be the new FIP types, which should be onboarded so that the equation is more balanced or, you know, can there be some FIP monetisation incentives that can be built in to at least cover up the cost of infrastructure? How could you potentially save frauds coming up in the framework? So, can we work together to identify the potential areas of fraud? So that was collaboration, advocacy, techno legal services collaboration.

SG: [00:36:18] And the fourth one which we have now started working on, and that's where the shift has come from, from questioning on the basics and the economics. Today, the industry says that we are good to go, we are good to grow, but we need more governance. So, they said idea is to say, how do you build a self-participatory layer of governance in the ecosystem? So, everyone there is a code of conduct which the industry decides on, and this is based on what other regulator has come out in the form of guidelines, but you need more explanation to it and more practical implementation. So, the industry is now very keen to build that layer. So, we've been working in these four buckets starting from advocacy and progressively kind of increasing and building our work in the self-participatory layer of governance. So, we are a member driven organisation, account aggregators are our members even we are also starting a membership drive with FIUs. Our governing council has representation from all large leading banks and you know, institutions from other sectors. So, of SBI, ICICI, HDFC, CDSL. So, Mr R. Gandhi is on our advisory council, who is the Deputy Governor of RBI. So, this is how we are kind of ensuring that governance and samadhi is taken care of and the work we are doing.

RB: [00:37:36] I think that's extremely critical because for the amount of sensitivity that we are dealing with in terms of information, collaboration, dynamics between various partners, I'm sure there is a need for a central organisation that is managing and also ensuring trust that there is a fair approach towards doing this which is not benefiting only one party. I think here our role hence becomes very, very critical.

RB: [00:37:59] So, Shalini, I want to move to the second part of the discussion, which is really to look at how can account aggregator unlock the value for financial inclusion? Earlier when we were speaking, you made this point that 45-50%. If I'm not wrong, loans that are provided are provided to MSMEs. Then we talked about the NTC segment, which is a new to credit segment. Again, if I had to step back and look at it from a user lens and let's say I am a small MSME today, I have a certain turnover. How do I benefit from the account aggregator framework today? And tell me from my perspective, what are some of the things that I can do today, which let's say I was not able to do before account aggregator was in place?

SG: [00:38:40] So what we need to do is that we need to think about it as a kind of something which is now made it easy for me to approach a bank. So, like I started with saying that if I've got enough trust signals available with me as a customer, there is no reason that I should be denied a credit. So that's where we think that the impact on financial inclusion will start coming in, (A) Because the low-income customer, they need to get a loan, they will be asked, they'll approach a bank, they'll be asked by the bank to submit their ideas and we know that ideas do not reflect the real position of MSMEs in India. They will be asked to submit their GST returns. There is a process to get that. He will be asked to submit the bank account statements, which could be either their savings or their current accounts. This entire journey itself is so tedious for an average customer, you know, visiting branches for collecting their paper or logging to a portal to download their GST returns, ITR. So, it becomes so difficult for them that most of the time, they're very kind of comfortable approaching a friend or a family to take a loan, and now if you look at the story from a lender's perspective for them, you know, getting a customer, give them all this information in a time bound manner and establishing that this data, which the customer is provided is indeed authentic and have it cross validated it at from multiple sources.

SG: [00:40:09] If I am comfortable giving him a small ticket loan. It was extremely cumbersome. What SMEs needed was something to bridge their short-term cash flow mismatches, and what they ended up getting was a loan against property, where they ended up mortgaging the property and sitting up on cash, which they don't even need on a regular basis. So, this is where that shift will happen. Instead of, you know, you just looking at doing a loan against property or a security transaction, now you've replaced that security with data collateral. What you're saying is that I am willing to base the cash flow of this customer, and this is the cash flow needs of this customer, which will be coming from the GST returns and verified with bank statements. I can now comfortably give a loan against a certain invoice to this customer. So that makes a regular cycle of cash coming in as and when I need it for the customer to meet my shortfall. So that's where that shift will happen, primarily for the SME customer, for the low-income customer, again, who don't really have a physical collateral or non-MSME. You can always show in your bank statement, you know, if you're getting benefits on a regular basis or you've got cash salary, but it is stable right? You've got it over a period of six months for the last year or so, and then the lender says that microfinance institutions, for example, really want to upgrade a lot of their customers from group lending to individual lending, and so, as a group lender, whatever credit signals I have, they have a slightly different connotation because that's based on a group collateral. But when you're moving to individual lending, it becomes totally unsecured. So how do you get those additional signals coming in. So, it could be through the bank statements of that customer wherein he can show his regular, you know, income flows and outflows, you kind of opening up the market to a new segment. If I move beyond lending, I see PFM - Personal Finance Management as a big, big kind of enabler in this segment, especially women, because, you know, to start with, women are not in control of their finances, right? They won't even know what's lying in their bank statements. Even to go and visit a branch for a woman is not as easy as it is for their male counterparts. So, if they can get something which is as empowering as saying that you've got two accounts and you know this is the combined balance you have, this is what you have spent, this is what you've saved. It becomes that starting point where you now know that what do I have and what can I do with it? So that, again, is really empowering.

SG: [00:42:50] This is how it will start, and then we'll obviously see it expanding to a lot of newer use cases coming in another new kind of use case, and which was a little surprise to us as well, came from the ministry. While we always say that account aggregator will meet the citizens need for short term loan, long term loan, insurance advisory, even retirement, we didn't realise that it could actually ease off their access to government schemes and benefits, and that we be working with Ministry of Rural Development, where they run a skill development program for their beneficiaries and which also has a placement component to it. The training agencies are reimbursed after the completion of the training program and once the candidate has been placed successfully and they are making money. Just above the minimum wage, and it has to continue for a period of 6 to 12 months after the placement. So earlier they were doing a lot of manual paper work where they were asking the training agencies to collect the bank documents of the customer, give it to them they used to verify, see if you know he's indeed been placed and there is money coming in that is now shifted it to account aggregator saying that I will want to pull the bank statement of the beneficiaries via account aggregator. I mean, I think their estimates run in hundreds of crores of rupees to the government.

SG: [00:44:13] Second, you know, it ensures that your benefit is reaching the beneficiary. So, the training agencies used to submit a lot of fraud documents. There were a few who were taking advantage of the manual. This is something which is completely out of the financial sector and has been very unique, and the first implementation, which we have done in the account aggregator framework. I would also think that LSP-driven lending will become very significant. So, loan service providers. So, in the world, we do not have regulated distributors like we have in insurance or SEBI who can automatically participate in the AA framework in RBI or the distributors are not regulated. So, there are a lot of service providers who are B2C. They have rich information about their customers, about their, let's say, delivery boys, if it is a restaurant or their merchants and they are sitting on this rich information, they have closely connected with these customers. So, we see that channel getting activated and empowered by the account aggregator framework started with OCEN, which was to empower LSPs with a standard set of APIs, and now we are seeing that happening in ONDC also. So ONDC again is integrating a credit module, which will be based on an account aggregator framework. So, we feel that the reach and while these LSPs cannot access data, what they can do is in the front end, still have an account aggregator journey plugged in via which consent can be taken, data handle created, and the data can still flow from the banks to their lenders.

SG: [00:45:45] So that kind of LSP-driven lending is something which is expected to pick up big time. So, I gave you the example of ONDC, OCEN. GeM Sahay was the first implementation. Then we are also expecting GST Sahay too - so they've completed their pilot to go live soon. There they will be the first ones to start giving invoice financing to MSMEs. We also did a pilot with India Post Payment Bank where through their Lakh of Grameen Dak Sevaks, they are building a very unique journey where there is an app which is an LSP app which the customer will operate to get instant credit, but there will be a Grameen Dak Sevak sitting next to the customer and assisting him with completing the entire digital flow. So, what you've done is you've combined the best of digital and the best of the assistance that is really needed to empower this segment. So, we see a lot of these models also coming up, be it in the Gen Summit portal or the Vidhya portal, again, easing access to government schemes and benefits under various lending programs. So multiple things happening, and, you know, as it builds up, we'll see all that translating into impact for the segments where we really want that impact to come in.

RB: [00:47:09] You've said a lot of wonderful things. I'm going to take it one by one. One with MSME. Yeah. So, I'm going to paraphrase what you have mentioned to me, (A) the cost of a transaction for an MSME to get a loan is high because they have to collect a gazillion documents to come to a place. The cost of transactions for the bank is very high because they have to verify whether all of this information is extremely high, because the cost of transactions is high what is happening is that the banks don't want to give smaller loans, because if I'm going to spend one lakh rupees in just checking whether everything is okay, I can't give you a loan for one lakh. I'd have to give you a loan for a much larger amount, which often does not meet the needs of the MSME, which essentially is looking for cash flow, working capital sort of support, and hence, one of the things that we are doing right now is to make sure that the process of cost of transaction for both the bank to validate the quality of information and for the MSM to provide that information, has come down because of which smaller loan sizes are possible and potentially over a period of time. Newer data signals can also be added, which will then make it even richer. So, it's not just about doing what we are doing right now efficiently. It's about also making it more effective by bringing in more sources of information. I hope I've captured the value for an MSM effectively. The question that I had is this is probably still not something that MSMEs are aware of. There is probably a last-mile gap in making them aware of the fact that something like this is possible. What are you doing for that or what are others doing to make this possible today? That would be great to hear.

SG: [00:48:42] Yeah. So, when it started, like I said, it started as a B2B channel. There was a lot of technical stuff, which was, you know, put being put in place. So, there was a view where, you know, there were always these two counter views that we should now start some awareness campaigns reaching out to the customer, and then there was we should stop, wait, let the system stabilise, and then and then we'll reach out to the consumers directly. So, I think we are now at that stage where we'll see a lot more consumer awareness coming in, and this will be with the efforts of everyone involved. So, for example, recently the regulators have also kind of expressed so they've said that we want to launch some consumer awareness campaigns because it's now reaching to the end consumers. We at Samithy are also planning such consumer awareness campaigns, but that will be mostly in collaboration with the ecosystem. Even financial institutions have started thinking about how to educate the end customers, because a lot of times, even today, when a consumer is directed to an account aggregator journey given with low awareness, they tend to drop off because giving consent, it being a journey. Sometimes customers are not comfortable because they've not heard about the consent. So, with the value coming in and the consumers experimenting with it and the financial institutions knowing that this is something which I don't want to give up and want to continue, we will see a lot of these campaigns being launched in the next year or so. Before that. We need the system to stabilise a little more. There are some continuing challenges which we are trying to work on, but once that is done, we'll see those campaigns coming.

RB: [00:50:20] It makes sense and I think it also is first experience is going to be very critical if you create a huge demand and if they come in and it starts to fail, it's very hard to bring them back.

RB: [00:50:30] The other point Shalini I wanted to understand is how OCEN and AA sort of work together. Where does OCEN start and stop versus where does the account aggregator start and stop?

SG: [00:50:40] Yeah. OCEN is a very lending-specific API, so it has been launched to streamline the end-to-end lending process for our LSP. So, I explained to you, that there is a loan service provider which is not regulated, but it is closely connected to the customer. A lot of insights about the customer are available to them. Customers trust them more than the lenders. So, this set of LSPs is really powerful, and they call the marketplaces or the loan service providers today, the way they interact with their banking partners or lending partners is a set of customised APIs. So, these marketplaces, if they're connected with 30 lenders, each of those 30 lenders has given them a different set of APIs to be integrated, and so, what it ends up doing is making it really complex and a lot of very capital-intensive, technology-intensive for LSP to start offering a loan service for their customers, and the journey is not seamless, or streamlined. So, you'll have different fields to be collected for different lenders, and different processes. So, it becomes really complex. So, what OCEN does is streamline this entire process. So, there is a set of standard APIs which have blocks of the entire lending journey, standardised, and stitched together using various APIs. So, there is for KYC then for data collection, there is an account aggregator for agreement signing, and there is e-sign for disbursement collection there is eNACH. They are modules that have been put together for to build an end-to-end lending journey and interaction between the loan service provider and the lenders. What account aggregator is it is one module that fits into this lending journey, and it just doesn't fit into the lending journey. It is cross-sectoral so it can fit into any financial services journey. So, it can even be plugged into an insurance journey or advisory brokerage journey. So, one is focused on a lending journey, and the other is more like a block which can be used across any financial service journey.

RB: [00:52:42] I think there are four parts to this stack if I understood it correctly. So, the first part of the stack is really, let's say the account aggregator, which puts the information together, makes it available in a way, OCEN sits on top. OCEN has other modules as well, but it leverages the account aggregator module for credible information. But is building an interface for an LSP to potentially sort of be able to streamline its access to providing credit from across various parts of the system? Now, the LSP has a lot of contexts, and I'm guessing LSPs are anyone who has customer intelligence. So, if I'm ordering food multiple times, if I'm taking a taxi, if I'm actually making payments, anyone could be an LSP essentially for me, because they not only have customer intelligence, but they're also introducing credit at a point where the user might require credit, saying, "Hey, now you have this invoice. Do you need credit on top of it type of a thing, which makes it a lot less expensive for you to offer credit because you have the context?" And then the fourth layer is what you mentioned sometimes is necessary is a human layer, which is "Okay, now that I have all of this, do you still need a human touch support, which may be required in some cases but may not be required in some cases, but these four layers, ideally for an end user, have to come together where they're able to sort of see this. Would that be a fair, fair summary?

SG: [00:53:58] That is a complete summary actually. So, what will happen is, like you said, very rightly said, credit is now moving on to the point of sale. So, you know the point of place where a customer needs credit. So, it's not about the usual branches setting up and offering credit and the customer walking in the branches. So today customer needs instant gratification. So, if they're going to make a purchase and if that credit can be made available at the time of purchase, that's what the channel is for most of the new lending business models, and it could be for consumer goods. It could be even for purchasing an inventory or it could be even purchasing. So, while insurance purchase may not come in, but let's say, you know, you want to fund your surgery at a hospital. So, a lot of insur-tech models coming in where you're saying that let's arrange credit at the point the customer needs it. So that has become really important, and these LSPs act, as you know, extensions of the financial sector. They are the ones who will take it to the last-mile. There could be LSPs for the low-income segment. There could be LSPs for MSMEs. That's where you see that network effect coming in, where you've kind of just multiplied the reach of the banking sector with this network coming in.

RB: [00:55:14] I can personally relate to it. You know, so many times when I'm in the middle of a meeting, somebody calls me and says, "Do you want a loan?" I said, I mean, of course, "I don't want a loan, I'm in a meeting." But when I am actually in the middle of a transaction, you know, let's say I'm on Amazon, I'm buying a TV at that time, if you say, "Hey, listen, by the way, as you said earlier, you know, there's a buy now, pay later option or there is a credit option for this particular purchase." It's a lot more intuitive for me to say, "Hey, I really want to take that offer up because I'm making this heavy purchase at the moment." I fully agree that that's going to vastly help reach the right people at the right time, because customer acquisition cost on this is so high, because it's not that every rich person needs credit. So, it's also very hard to find out who is at the point of requiring credit.

RB: [00:55:57] Now, the second part I wanted to bring up is this fascinating example you gave about women not knowing their access to, I mean, their financial status today, which is very, very real, and it's very real across the board. This is not a rural Udaipur problem. This is across the cities and states. I think there is a genuine mental model around financial wisdom and intelligence that we have to address. One point I wanted to ask, and as I'm asking this, I know the pros and cons of it, but I still wanted to get your thoughts is to have that human experience where somebody can come and tell the woman that this is actually the amount of money you have et cetera. Do you also see an opportunity for providing advisory to say, "Hey, this is the money you have and this is the sort of profile you have. Here is what you can actually do with the money based on your risk profile. These are various things you can do." - which sort of builds into the PFM scenario that you talked about. Because earlier when you talked about PFM, for me this was very rich people, wealth management, sort of a use case. But when you say it like this, it also becomes interesting that we can actually offer. If we can ensure credible advisory, we can actually offer credible advisory to a long tail of customers as well.

SG: [00:57:06] So what is happening is that in the SEBI world, there is a category called registered investment advisors. They have a fiduciary relationship with the customer where their entire role is to give advice. So, they're not into distribution of products and that's where I think it's really important to have distinction between a distributor and an advisor, because advisors will always work in your best interest. So that's where we're seeing and a lot of these areas and when we went to them and interacted with them, they are actually working with women and even middle-income, low-income households offering advisory. But currently that process is again very fragmented. So, you'll ask them to submit whatever you have for their financial accounts. You'll then input it into an Excel, and at the end of it again, that small ticket syndrome comes in. Right? How much are you going to kind of spend your effort and time in integrating and giving the same thorough level of advice which, you give to an HNI. But now, given that it will become so streamlined with the AA framework, and if there is a household or a woman who just gives you consent to access their financial accounts and give them a complete summary of what they have, what is that in terms of their demographics, again, their profile, where they have been staying, age, everything combined together.

SG: [00:58:21] There could be automated analytics models coming in, which throw up the initial results and pose that an advisor can just over a call or 1 or 2 visits, sit with that woman and tell her about, you know, how can you start investing in, let's say, systematic investment plans? India, as a country, you know, just 3% of us invest in mutual funds compared to the average of 65% globally. So, we're not even there. So that's where I think a lot of change will happen. So, a lot of models will still be automated and the advisory touch can become towards the end when you've done the entire crunch work and you're ready with some analysis on the customer, and that makes it really efficient and super quick for a consumer. We would think that that shift is what the account aggregator framework will bring in.

RB: [00:59:11] The last part I wanted to pick up was this whole government scheme example that you gave. I mean, one part of it, as you rightly said, is the massive outflow we have in issues like skill development. Earlier we used to have it for sanitation, which are very conditional cash transfer type of model, which is that if this happens, I will pay you this type of structure. You are right, it is a known fact that there is a lot of pilferage there. It's a known fact that there is fraud there as well, and then having a system like this is helpful. But I wanted to flip this a little bit Shalini, and I wanted to ask you, I work in agriculture, for example, and where the financial sustainability of a farmer is not only because of their financial activity which is buying, selling produce, but it's also based on the government schemes and subsidies they get. I know it is a vexing problem in the government today, because we actually don't know how much subsidy is a particular family getting overall. Ministry of, you know, social justice gives them something et cetera. But net, what one family get is actually information that the Government of India does not have. Can you treat departments as financial information providers to say that, "Hey, this is actually the total subsidy that we are getting." And it'll help us both recognise how much money actually our family is getting and not getting, but also understand where there are probably inclusion errors, right, where people are getting it, where they're not supposed to be getting it. Is that something that you can think about as well with an account aggregator?

RB: [01:02:32] I know that this conversation happens multiple times with the government, which can get one view of a particular family. I'm out of money. This happens at a state level. It happens at the central level. It even happens at a district level. People are like this information is critical. So, I'm sure you're working on this and I'm sure pieces have to fall in place. But I can, from my limited experience, tell you that it actually is a very high-value use case for the government, and it's also a significantly valuable insight for banks and financial institutions to know who's getting what subsidies and so on as well.

RB: [01:03:01] You've been highlighting that readiness has to be there because the possibilities are massive and endless. So, I had two questions. One question is when you see where you are today to where you want to be, what are some of the critical things that you think you have to put in place before the true value unlock sort of starts to happen?

SG: [01:03:20] Are. So, there are. We made a lot of progress on different aspects. We've sorted the supply-side issues mostly. So as of now, whatever we have is sufficient to initiate a lot of use cases. While telecom and other data may keep coming in. What we have is something which is really powerful and we can start building on that. But there are a few issues which need to be kind of put in place as we move forward. So, for example, the first thing like I explained was interoperability in the account aggregator framework. So, while technically you know, the system is interoperable it is federated interoperability. If I, if I use comment and said that for us it is not easy for, you know, onboarding 12 or 13 account aggregators. Now every time we have to repeat the same set of conversations and discussions, legal agreement signing, we have our compliance checklist with the account aggregator needs to fulfil. So, one aspect is how do you move from the current model of building bilateral trust versus a network trust. We need to see the account aggregator framework as a network. It's not a bilateral framework. So, while on the technical side, you are operating as a network for other non-technical issues, there is still a lot of bilateral communication going on. So, the first thing which we have taken up as a priority is how do you build that network trust. So, people should rely on a single legal agreement. We already have a common ecosystem participation term, which have to be unilaterally signed once by every participant and they get into a legally binding agreement with each other.

SG: [01:04:58] But that adoption has to come in because everyone needs to be comfortable with signing only one agreement. So that is once again, on the compliance. Like, you know, if you're onboarding someone and there's a lot of compliance that needs to be put in, it will eat up a lot of resources for the end. So, can we have a standard checklist like, you know, it could be the most difficult checklist which every account aggregator needs to adhere to? But they can be ready beforehand. So, every organisation doesn't need to again do that bilateral checking. So, we are now consciously working on building this network trust in the ecosystem. Once that happens that's when true interoperability will come in. So today we see it will integrate with 5 or 6 account aggregators, and this stop. But as a customer, if you know, multiple financial accounts are with different account aggregators, I cannot be expected to create different handles somewhere. I need to have them all consolidated into a single data handle. So, this is one challenge which I think is currently there. But the good part is that now the industry acknowledges that it is a network trust building, which we need, and we don't really need to do anything with the technical architecture of the account aggregator framework. So, we have crossed the first blocker there. The second thing which we need to work on is technical help. You know, the stability of the APIs. The success rates have to go up. So given that it's a completely API-driven structure and a very, you know, standard set of specifications by ReBIT there is no reason for success rates to be anything less than 95% to start with.

SG: [01:06:38] I mean, I would say even 99% is what we should aim for, but currently we are operating at much lower rates because banks need to do a lot more work on them. Core banking solutions, which are more like transaction modules. They're not meant to provide data. So, a lot of work is happening on that. We are fixing each and every drop-off point in the API flow journey. Some part of it is also due to account aggregators systems. They need to know, you know, gear up to meet the larger flow of data through their systems. So, they're also working on it. Part of it also has to do with consumers' resistance in giving consent because they're not heard about the framework. So that is something which has to be fixed. So, once I would think the interoperability and the second the technical help of the financial information providers and in fact the entire ecosystem improves, then we are set and we can actually go out to the consumer, start talking about the account aggregator framework, and also reach out to more financial information types, saying that, you know, now is the time. The system is working well, it has delivered good results. So why don't you join in? Even the regulators, policymakers will be open to getting more data on the framework. So, I think, you know, these two three blocks are what we need to fix, and then we are good to take it forward now.

RB: [01:08:02] Hearing you also helps highlight the levels of orchestration that has to happen given the sensitivity of what we are managing. So, some of these things have to be in place because otherwise when the volume goes up, the transaction cost goes up, then people start to drop off and say, "Listen, this is too much legal hassle, too much compliance hassle. We don't want to do any of this." So, I think, as you rightly highlighted, bringing all of this in place is going to be important to bring in the readiness that we need to ensure consistent performance and people staying together. You said the supply side is getting ready, and you sort of highlighted how the demand side hasn't started yet, but partly for good reason, because all of this has to be in place. One of the things in a podcast that Bindu Ananth, who is the chairman of Dvara Trust and we did, she said, "Listen, the demand generation is not about awareness creation. Demand generation is about ensuring the right value and the right incentives. People automatically come; you know." So, my guess is at some point people may not even know that a lot of the value they get is because of account aggregator. They just happen to get better loans through LSPs, they happen to get better financial advisory and so on. You might be this invisible force that's powering a lot of this, but what then is critical is the imagination of people on how to make the best use of account aggregator in some form today, perhaps somebody is driving a lot of this imagination as well, and maybe to a certain extent, government. I just wanted to check with you. Is there enough imagination coming from the financial providers, tech companies, others who are able to say, hey, this is the value that we can unlock because of this?

SG: [01:09:35] The sector is really imaginative and innovative. So, every day we get to hear use cases which we've not even thought about the framework, like simple things like, you know, can we verify the bank account of a customer using the account aggregator framework instead of a penny drop? This is something which is very simple, but what you're saying is that you're ensuring that the money is going into the account of the customer is actually being underwritten. So, you know, then saying that, you know, somewhere a big challenge for lenders is to recover the money at the end of it. Lending is about getting your money back. Disbursement is only the start. You have to have that money back in your account, and that's where again, this framework has been really powerful in. A lot of NBFCs have now started taking a recurring consent from the consumer to fetch and monitor their portfolio once the loan has been disbursed. If the loan is off a tenure of 12 months and you say every month, I'll check your bank statement once a month to ensure that everything is fine. There is no stress building up in your bank statements and if there are early counselling required, early calls required, I can call you up.

SG: [01:10:48] Or even in the case of microfinance customers where repayment discipline is not there, you check the balance and then execute. So, what you're doing is you're saving penalty on the consumer and also then counselling him to ensure that he's got enough money in his bank account and he doesn't default. So, these are some of the use cases which when we started with, they were all in our mind. Another thing which I've seen happening now is it has moved to the strategy boardrooms of financial institutions. So earlier it used to be the product managers or, you know, the marketing managers who used to be very interested in the idea and we used to discuss it with them. Now it is coming from the top. So, a lot of big institutions have taken this up as a strategic project, and the idea is to say that there is a dedicated team which is working across verticals and ensuring that we come up with innovative offerings. Even the TSP is the technology service providers, we didn't talk about them initially, but they are an extended ecosystem for the account aggregator framework in the sense they are the ones, because at the end of it, whatever data you're getting through the AA framework is in a raw digital form.

SG: [01:11:59] But then you need someone to synthesise, analyse, draw meaning out of that data, and that could be very innovative. There could be, you know, multiple ways and cuts to looking at the same set of data. That's where a lot of these TSPs are bringing in solutions which are completely transformative. A lot of insurance companies, for example, said insurance has never been the one which has used data analytics as rigorously as what you see in the lending world. But now they've also started experimenting with saying that if I have so much data of the consumer, how can I utilise for, you know, offering them a better product or quicker turnaround offering, you know, doing a quicker risk assessment, expanding my insurance offerings to not just the salaried but self-employed low-income micro-insurance. So, some sectors are really going to get disrupted with this. So, it's not just NBFCs, fintechs, it is in short techs, health techs which are expected to take this further. So, we've seen all that action happening and we are really hopeful of groundbreaking innovations coming on the AA framework. I mean, I've got so many of them, I can even I can keep talking.

RB: [01:13:13] Likewise, I have so many questions. I was thinking as you were talking, saying, how can scholarships be reimagined because of this? Because it's massive - any need-based delivery, even disaster relief for example, how can you start off using this information? You talked about health tech. I was thinking of agtech, for example. How does that change things? We haven't touched insurance at all because insurance, as you rightly highlighted, is a fairly low imagination industry in India. While compared to our, you know, other countries in Asia who have been very creative about microinsurance products, contextual insurance products, etc., we are still very, very limited in terms of very product first approach. But I also realise that we've spoken for a very long time. So, there is clearly at some point a part two that has to happen.

RB: [01:13:54] The point that we started having the conversation about is really that how do we make this available for a large number of people, and how do we get the new to credit segment and the unbanked segment also back into accessing financial services? And through the conversations today, we've touched upon some use cases. But as you see this, I wanted to ask you, where can Philanthropy Capital play a role in driving greater adoption of few things that we are talking about, and where can also businesses play a role outside of the financial institutions in making this happen?

SG: [01:14:30] The way it happens in every sector is social capital is what? Is required for the innovators, the challengers, you know, who typically don't have a very deep balance sheet to start experimenting. So, they're just brimming with a lot of new ideas, and they are connected and they are at the field. They just want to experiment with things, and that's where social capital can really empower these set of entities to continue with their experimentation proof concepts, and then that can be taken up by the larger community as and when they grow. So, a lot of social capital will always come before commercial capital, and that's how it has happened across sector, and we hope here again that will happen. Good part about account aggregator framework is that we've got a good learning curve because we've seen ramping up in the country, unlike where it started with a digitally savvy customer, and then gradually you build up stacks or, you know, other sections of the customer. Today you can even transact on UPI or on a feature phone or in an offline mode in the account aggregator. We already have all those models visualised. We've already started working on building our assisted journey for account aggregator framework, so that could be piloted.

SG: [01:15:44] For instance, can there be a dedicated PFM app for women? You are not mixing it up with others. So likewise, there could be multiple models, and I think that's where social capital coming in, both in terms of capital and capacity building, will be of critical importance, and Sahamati also, again, we are not like the typical industry alliance, which is just focusing on advocacy. We are building up a lot of techno-legal services for the community, and today we are offering a grievance portal where FIPs and FIUs can put in their complaints and it can be on a real time basis. We are working on building best practice consent templates because at the end of it, the spirit of the account aggregator framework is explicit consent. The consumer needs to feel comfortable sharing their data. So, what are those best practice consent templates? How can they be then customised to a vernacular language so that consumers know what they're getting into? So, we also, as an entity would want to do a lot of these pilots. Again, you know, any kind of funding here would also be really useful. So, I do see that as really important for the sector to grow.

RB: [01:16:57] Beyond just the financial industry, are there ways in which you can imagine other businesses actually benefiting from account aggregator, and if there are things that other businesses can potentially do? You know, I'm thinking of FMCG companies, for example, Unilever, they're now moving actively into ONDC and they're working with retailers and *kirana stores* (general stores). Are there ways in which you can see other businesses coming in and sort of benefiting from this as well?

SG: [01:17:22] Yeah. So, there can definitely be other businesses coming in because like one definite path is where we said that loan service providers are outside the regulated sector. So, these could be extended arms and it could be FMCG companies, it could be hospitals, it could be educational institutions who could now be facilitators of loans to their respective customer segments. So one is that secondly, there could be a lot of technology service providers, the TSPs, who are actually ushering in bringing in innovative products with data analytics or data audit certification, and with DPDP Act coming in, you know, any entity which has customer data is a data fiduciary, you know, user of the data or the data holder. So, all of them will definitely need to look at means to strengthen their data sharing collection practices, storage practices, and that's where we feel that account aggregator framework is now poised to move beyond the financial sectors to other sectors, though, there would be a set of content managers which may come in under the Data Protection Board. But is the live pilot, which has already been implemented as a consent manager in the financial institution, and there is no reason for, you know, you to have a new set of consent manager guidelines coming in. So, we see that automatic progression happening for account aggregator framework beyond the financial sector. At the end of it, data is lying everywhere and you need a place to consolidate and share it via a framework to the real users of that data journey.

RB: [01:19:02] This has been a fascinating conversation for me. The possibilities of what we are talking about, you know, is, is endless, and for me, more than the progress that you've been able to make, the number of accounts consent that people are giving away and so on. So, this is not some dream. This is something which is very real. Organisations have come on board. Businesses are seeing value. Now you're sort of what, you know, investors are calling a sucking sound, which is where the market sort of asks you more than you offering to them. Right? In some sense, you're not selling to them. They are demanding things of you, and it's a great place to be, and as you said, as we reimagine financial access for the population overall, I feel like what account aggregator does is to remove a lot of transaction friction to make that imagination possible, and more importantly for me, what we talked about in terms of financial inclusion for the underserved, be it the MSMEs, be it the women, be it people who are getting, you know, government subsidies and schemes, I think the value to them being unlocked is going to be significant as well, and that's very, very exciting. Thank you so much for your time. I know it's been a long conversation, but you've been very engaged and, you know, lots of very, very relevant numbers and data for us to contextualise the scale. So, thanks so much for your time. I hope you enjoyed the conversation as much as I did.

SG: [01:20:15] Thoroughly enjoy it, and we always enjoy talking about the AA framework anywhere and everywhere. So, thank you so much for this engaging discussion.

Outro: *Thank you for joining us here on Decoding Impact. We hope you enjoyed this episode and the conversation with our expert. To learn more about Sattva Knowledge Institute and our* *evidence-based insights, follow us on LinkedIn, Twitter and Instagram and explore our content on our website, all linked in the description.*