

Blockchain to drive IT innovation in BFSI sector



Arvind Chandrasekar

OVER THE PAST DECADE, blockchain has become a foundational technology facilitating cutting edge innovation across industries in India. We have witnessed some truly revolutionary changes across the BFSI, telecom, healthcare, e-commerce and government sectors backed by blockchain. In fact, a recent report by PwC indicates that India will become a blockchain leader amongst the ranks of USA, China and Australia by 2023. Some of the key financial segments where blockchain has truly made an impact during the last year are in the banking, finance and digital payments areas.

Banking

In January last year, Institute for Development and Research in Banking Technology (IDRBT) division of Reserve Bank of India (RBI) came out with a blueprint of blockchain platform for the banking sector. This was a significant move because there were no regulatory guidelines in place for adoption of blockchain technology by banks and financial institutions in India.

Interestingly, a consortium of 11 of India's largest banks including ICICI Bank, Kotak Mahindra Bank, Standard Chartered Bank and Axis Bank, have launched the first ever blockchain-linked loan system in the nation. Leveraging the distributed ledger, this technology will not only ensure transparency in credit disbursement, but also remove communication hurdles among various banks. Blockchain also enhances customer experience by bringing down transaction time from hours to seconds.

Insurance

Insurance firms are turning to blockchain and smart contracts to bring in more efficiency, transparency and security. By harnessing blockchain technology, insurance firms can ensure better policy management, underwriting and quicker claim processing. For instance, a portal driving travel insurance sale, allows customers to buy travel insurance and claim settlements in case of flight delays. Blockchain enables the application to notify a user about payout



eligibility in case of flight delays and also helps customers to process claims with ease.

Fraud prevention is another critical part of blockchain.

Digital Payments

Despite the Reserve Bank of India's restrictions on the use of cryptocurrency, Indians are increasingly becoming interested in learning more about the phenomenon, as well as the technology that goes into it. Organisations are actively working towards examining the underlying technology enabling blockchain-based payment solutions. For instance, the National Payments Corporation of India (NPCI), an umbrella organisation for all retail payments in India, announced that it intends to develop a resilient, real time and highly scalable blockchain solution.

According to a report from NITI Aayog, the current cross-border payments model lacks an international clearing house and relies on correspondent banks, which causes inefficiency, slow speed, and high cost. As a result, banks and fintechs are also exploring blockchain technology for cross-border payments to provide faster, inexpensive, and efficient services.

A study by ASSOCHAM and PwC India indicates that the digital payments in India will more than double to \$135.2 billion in 2023, from \$64.8 billion in 2019. This growth is attributed to the innovations in the payments sector, largely driven by new technologies such as AI, blockchain and IoT. As BFSI organisations seek new ways to enhance customer experiences while ensuring operational efficiency, technologies such as blockchain will drive the next wave of IT innovation in the sector.

The writer is director, Government Affairs & Regional Relations, AMD India