Accelerating financial inclusion via Account Aggregator

23rd March 2023

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AA for Microfinance

1. **AA Ecosystem Update**

2. **Microfinance Use Cases**

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Most Indian adults have a bank account...

Between 2014-2017 **one in two new accounts opened globally** was in India - using eKYC & the Jan Dhan program.

860 Million+ Aadhaar seeded bank accounts today

...But still struggle to access financial services!

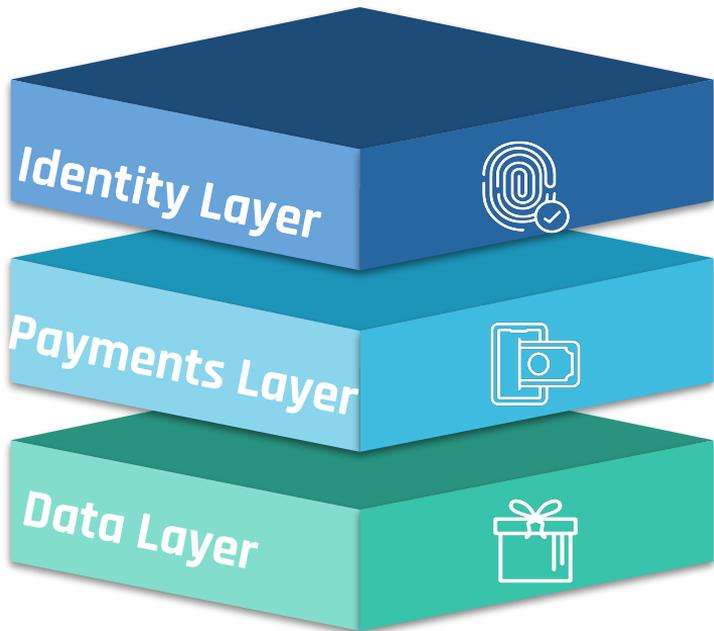**Low insurance** penetration

Unmet formal credit demand of 20-25 L Cr

Extremely limited use of **securities** & investment opportunities

India Stack is a set of technologies; Account Aggregator is building the data layer

Identity Layer
Giving every resident a unique id and enabling them to prove "I am who I claim to be"

→ Aadhaar
→ eKYC
→ eSign

Payments Layer
Allowing anyone to pay anyone else! interoperable, fast and cheap - not just smartphones
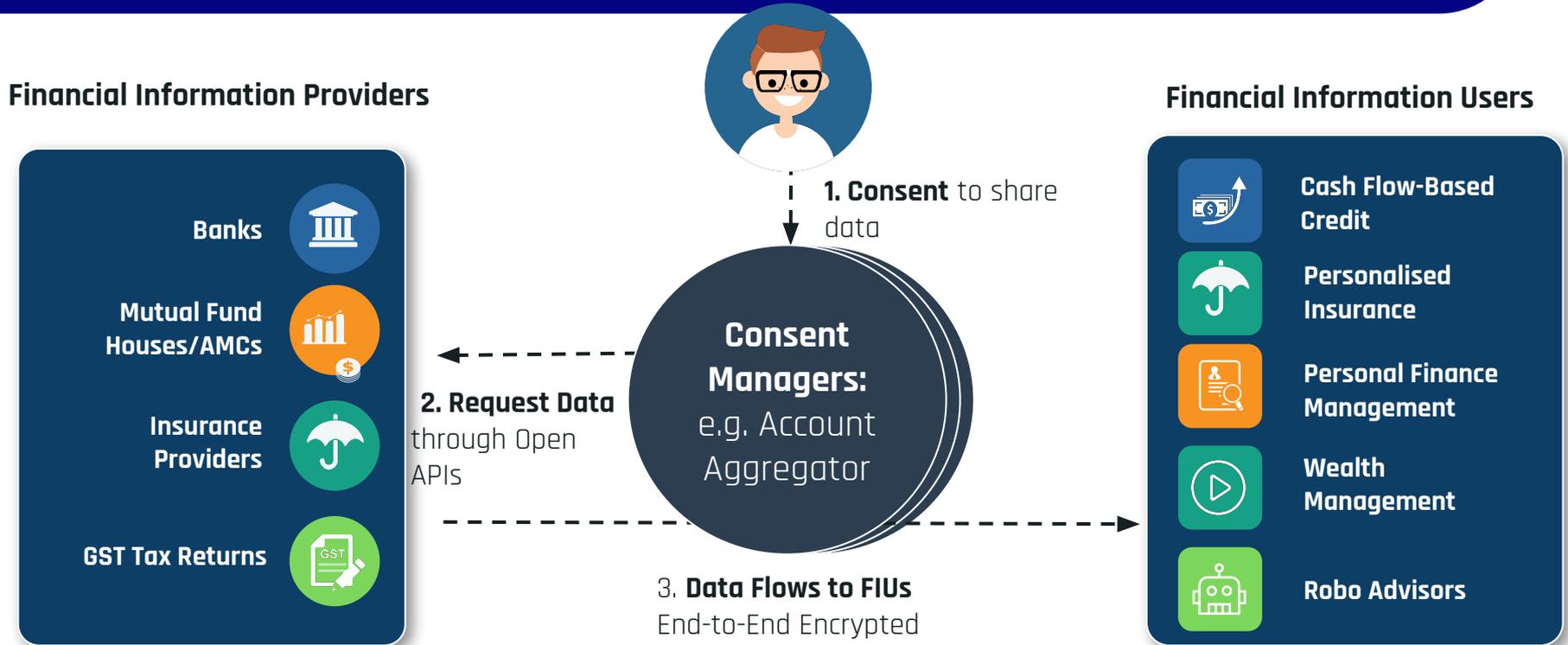
→ Unified Payments Interface
→ Aadhaar Payments Bridge
→ Aadhaar Enabled Payment Service
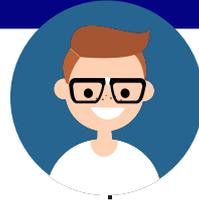
Data Empowerment
To enable secure sharing of data

→ Consent Artefact
→ DigiLocker
→ Account Aggregator

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Account Aggregator are RBI regulated NBFCs, introduced to data-empower the citizens through explicit consent based data sharing and digital data portability

Financial Information Providers

- **Banks**
- **Mutual Fund Houses/AMCs**
- **Insurance Providers**
- **GST Tax Returns**

Financial Information Users

- **Cash Flow-Based Credit**
- **Personalised Insurance**
- **Personal Finance Management**
- **Wealth Management**
- **Robo Advisors**

1. Consent to share data

Consent Managers: e.g. Account Aggregator

2. Request Data through Open APIs

3. **Data Flows to FIUs** End-to-End Encrypted

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Account Aggregator at Scale: More information types and innovative use cases

Financial Information Providers

- Banks & NBFCs
- Mutual Fund Houses/AMCs
- Insurance Providers & NPS
- Tax Data: GST & CBDT*
- Telcos*
- EPFO*
- Digilocker*

1. Consent to share data

Consent Managers:
e.g. Account Aggregator

2. Request Data through Open APIs

3. **Data Flows** End-to-End Encrypted

Financial Information Uses

- Small ticket, short tenure MSME Credit
- New to Credit, small ticket Personal Loan
- Auto Loans, Home Loans
- Insurance, Demat account opening
- Personal Finance Management, Wealth Management

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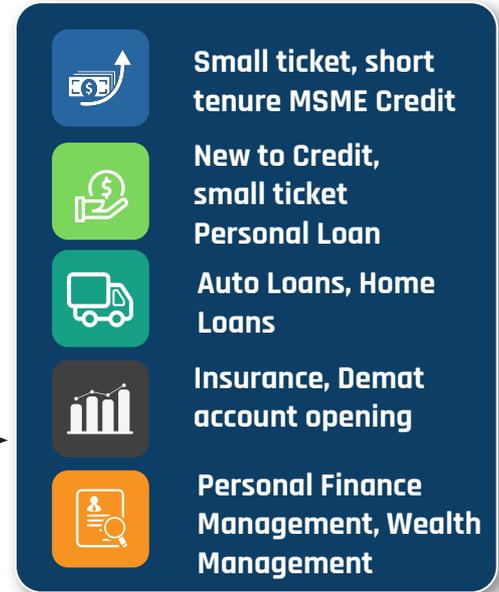
AA has the potential to increase the credit served population by 170 million in the next 5 years to 370 million

India's Population by credit buckets	Current (in million)	With AA in 5 years (in million)
Credit **Served** *Thick file with a bank account*	200	**370 Mn**
Credit **Under Served** *Thin file with a bank account*	170	**115 Mn**
Credit **Unserved** *With bank account but no credit history*	380	265
Credit **Unserved** *Without a bank account*	190	190

Migration rate 100%
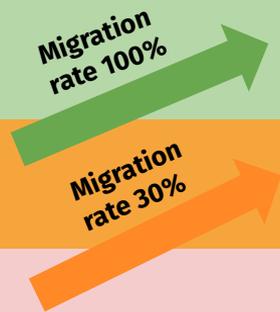
Migration rate 30%

Source: Transunion Report: Empowering Inclusion, Sahamati Analysis
* As per Transunion report definition. Thin file described as people which are credit visible for 2 years but not active. Current migration rate from Thin File to Credit Served is 4% in a 24 month study

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AA creates an easier, cheaper, accessible & low risk loan application

Current bank statement collection & loan monitoring is less secure and efficient than AA

Printouts	PDFs or passbook images	Net Banking	Account Aggregator

Delays
Data Trust
Data Recency
Data Insufficiency
Data Privacy
Drop-offs

➔ **Trusted:** Digitally-signed data straight from source

➔ **Automated:** API-driven, machine-readable data-pull

➔ **Unified:** Aggregated multi-month, multi-account data, more data sources over time

➔ **Secure:** Encrypted end-to-end

➔ **Consented:** Privacy preserving

➔ **Recurring:** Enables ability to embed an Early warning score

Automation and lower risk go hand in hand with AA - tying back into the EASE agenda

Account Aggregator is foundational Digital Public Good - immense benefits for citizens & market players

Individuals

Seamless convenience of secure data sharing

Ease of access to small ticket cash flow based credit without collateral, and insurance

Integrated view of financial health

Eligibility based offers for for insurance/securities products

Market Players

Lower drop offs on loans/insurance/securities

0% Fraud, trusted data for better financial risk assessment and eligibility calculation

Lower operating costs: viable small ticket products at high volumes

Access to wider market and increase in credit and insurance penetration

Lower default rates, higher renewal rates and claim settlement ratios: Better **data analytics/ML**

Takeoff of PFM, wealth management, robo advisory, and more.

Banking

Insurance

Securities

Pensions

ACCOUNT AGGREGATOR

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Assisted Account Aggregator Framework is being worked upon

Assisted Account Aggregator (AAA) is needed to ease availability of credit and financial services for the masses and improve financial inclusion to reach the *"Next Half Billion Financially Excluded Customers"*

Customer readiness to adopt and benefit from current AA framework is low for a large segment of population

Low smartphone penetration	Lack of digital savviness and ability to complete a complex DIY journey	Physical or digital remoteness	Low financial literacy and understanding of AA

Assisted AA :- RBIH + Sahamati Working Group

Recommendation :- Aadhaar based authentication- for AA account (handle) opening, discovering of bank accounts and linking of financial accounts to the AA handle

Image source

Initial Results are testimony to the Investment Opportunity

Lending is the prominent use case

An estimated Rs 40 billion of loans disbursed through AA till Jan'23 . **More than 50% is MSME Lending**

Early adopters like Axis Bank have reported a **30% growth in disbursements** with AA

Fraud rates related to bank statements through AA has **been Nil** compared to PDFs at 0.4% - 4%. Expected to result in low NPAs

Drop off rates and operating costs expected to reduce with **broader FIP base** and Stable API Performance

1%
25%
74%

- Pension Account Opening, Income estimation for Life Insurance Policy issuance

- Demat Account Opening
- Personal Financial Management

- To underwrite Unsecured Personal and Business Loan, Auto Loan, Credit Cards
- Through AA module integrated in the digital apps of lenders or offered to customers that walk-in at branches or retail points

Cumulative Consents fulfilled successfully = 5.3 million with monthly growth rate of 20-25%

AA has **successfully scaled up** nationwide!

Sahamati AA Ecosystem Performance Dashboard - FIP

Date: All

Cumulative count of accounts linked
A running total of accounts linked by account-owners

9 AAs, **33 FIPs**, and **153 entities** transacting through AA
AA is now cross sectoral

1.13 billion

Bank Accounts have the facility of AA

5.3m successful
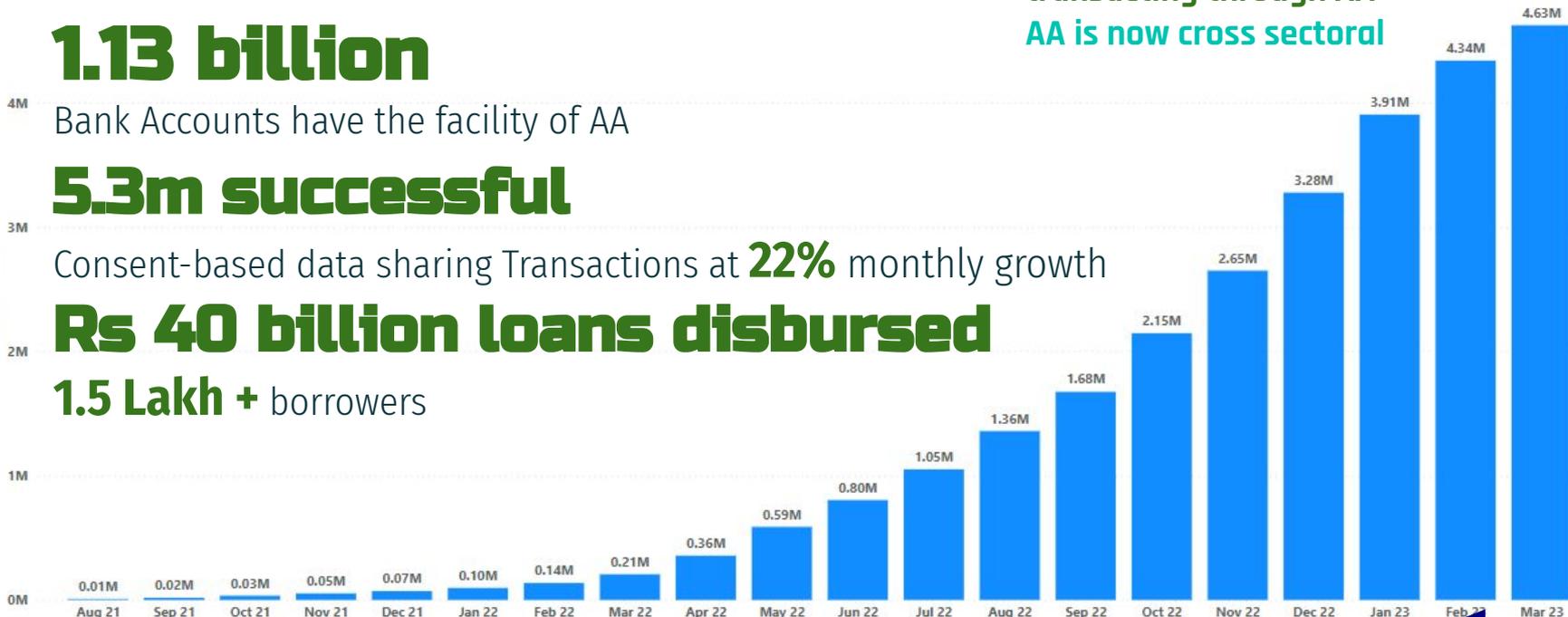
Consent-based data sharing Transactions at **22%** monthly growth

Rs 40 billion loans disbursed

1.5 Lakh + borrowers

Bar chart — Successful Consent Requests / Accounts linked:
- Aug 21: 0.01M
- Sep 21: 0.02M
- Oct 21: 0.03M
- Nov 21: 0.05M
- Dec 21: 0.07M
- Jan 22: 0.10M
- Feb 22: 0.14M
- Mar 22: 0.21M
- Apr 22: 0.36M
- May 22: 0.59M
- Jun 22: 0.80M
- Jul 22: 1.05M
- Aug 22: 1.36M
- Sep 22: 1.68M
- Oct 22: 2.15M
- Nov 22: 2.65M
- Dec 22: 3.28M
- Jan 23: 3.91M
- Feb 23: 4.34M
- Mar 23: 4.63M

As on 15th Mar 2023

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Participation in AA is now cross-sectoral: 17th Mar 2023

9 RBI Operationally Licensed AAs; 9 AAs with in principle-approval

153 Financial Institutions live as FIUs

117 RBI regulated entities	22 SEBI regulated entities	12 IRDA regulated entities	2 PFRDA regulated entities

33 Financial Institutions live as FIPs

12 Public Sector Banks	11 Private Sector Banks	2 Small finance Bank	5 Life Insurance Cos	2 RRBs	1 NBFC-Deposit

20 RRBs under different stage of implementation

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List of Account Aggregators

As on 15th March 2023

Operational Account Aggregators

CAMSfinserv

protean — Change *is* growth

CookieJar

ENVESTNET Yodlee

NeSL — National E-Governance Services Ltd

saafe

PhonePe

Perfios — REALTIME ANALYSIS & DECISIONING SOLUTION

Onemoney

In-Principal Approved Account Aggregators

agya

CRIF — Together to the next level

digio

Cygnet Account Aggregator

Tally — POWER OF SIMPLICITY

OMS AA

pb Fintech

UNACORES SOLUTIONS

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Insurance on AA

1. **AA Ecosystem Update**

2. **Micro finance Use Cases**

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Customer Onboarding and Risk Assessment

Origination → Underwriting → Verification and Fraud Check → Disbursement → Collections → Analytics → Loan Monitoring

Current Process:

- **Manual documentation collection and underwriting process**
- **Excel CAM Sheets, Deviation Matrix**
- **Manual fraud checks**

Challenges

- High Drop Offs with paper work
- Customer privacy issue
- Documentation collection require customer to visit bank causing increase in TAT for loan processing and also inconvenience to customer

Benefits of Account Aggregator

- **Access to Machine readable data**
- **Improved Viability:** Digitisation of underwriting process
- **Increasing affordability** for end consumers with small ticket products
- **Zero Frauds** since data is getting sourced directly from source

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Customer Onboarding and Risk Assessment

Origination	Underwriting	Verification and Fraud Check	Disbursement	Collections	Analytics	Loan Monitoring

Benefits of Account Aggregator

- Clarity and precision to underwriting
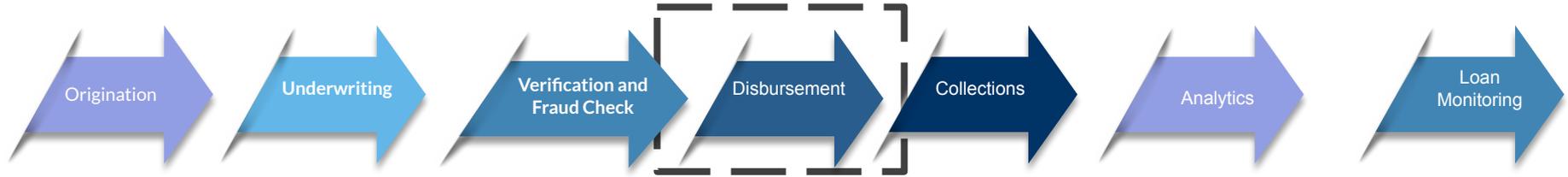- Estimation of household income
- Checking indicators for shadow funding

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Customer Onboarding and Risk Assessment

Origination → Underwriting → **Verification and Fraud Check** → Disbursement → Collections → Analytics → Loan Monitoring

Benefits of Account Aggregator

- Name, PAN, address cross-validation with declared info and KYC docs.
- Machine readable data coming directly from source hence zero risk of tempering of data

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Customer Onboarding and Risk Assessment

Origination → Underwriting → Verification and Fraud Check → Disbursement → Collections → Analytics → Loan Monitoring

Benefits of Account Aggregator

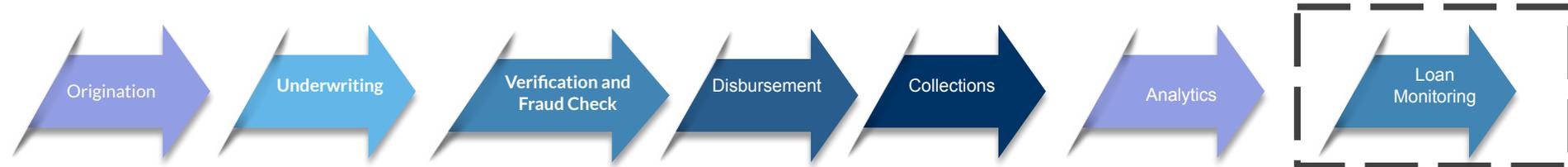- Bank Account Verification replacing penny drop- if and when unmasked bank account numbers are made available

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Increase in collection efficiency and upselling opportunity to creditworthy customer

Origination → Underwriting → Verification and Fraud Check → Disbursement → Collections → Analytics → Loan Monitoring

Benefits of Account Aggregator

- Recurring consent given by the borrower can be used to track balance in the account and significantly reduce collection cost
- Increase in income and good repayment track record can act as signal to AI/ML model
- AI/ML models can be built to track borrowers who are utilising their creditworthiness for loans required by someone else restricting shadow funding

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Loan monitoring through recurring fetch

Origination → Underwriting → **Verification and Fraud Check** → Disbursement → Collections → Analytics → Loan Monitoring

Benefits of Account Aggregator

- MFIs can confirm and monitor the loan credited to the account and analyse utilization based on withdrawals
- Recurring fetch can be useful in building EWS

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Sahamati seeks to help with shared tools to make the ecosystem run efficiently, smoothly, and securely

Over 3 years, our team has worked to scale up AA & solve market gaps with education, cooperation, and shared services for trust & efficiency

Education

200+
workshops

1. Workshops
2. Masterclasses
3. Hackathons
4. Blogs, Explainers, Tables of AA
5. Participants on the Website

Cooperation

106+
Signatories

1. Reciprocity Model
2. Dispute Resolution
3. Tech Collaboration
4. Legal Framework
5. Economic Model
6. Anti Fraud

Common Infrastructure

120 Central
Registry entries

1. Central Registry
2. Token Service
3. Encryption Library
4. SLAs
5. Spec Extensions
6. AA Dashboards

Quality Certification

100+
Certifications

1. API Standards
2. Customer Onboarding
3. Security and branding
4. Data Governance

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Open to Discussion