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[Blockchain Technology— Reinventing Banking for Excellence](#)

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Blockchain has become one of the most talked about topics in the banking and financial services industry. It is transforming everything from payments transactions to how money is raised in the private market. While this technology, in particular, is picking up momentum, it is set to change traditional style of banking, writes Rashi Aditi Ghosh of Elets News Network (ENN).

Blockchain — Revolutionising Indian Banking Blockchain is a distributed, decentralised secured database that works within a private or public network based on consensus arrived upon by participating members (or nodes) within the network. One can develop and built a complete banking and financial services superstore for moving money, collecting money, lending money, protecting money, securing money and advising on money using Blockchain.

This can completely transform banking and it is estimated that by 2030 majority of the Financial Services will be Blockchain-based. Explaining the advantages of Blockchain, Sudin Baraokar, Innovation Advisor, State Bank of India, said, “The Blockchain based transactions can never be deleted or changed. The transaction blocks are added to the network chain. This maintains the provenance of the chain due to non-reversibility of the data.” “Blockchain can help reduce fraud and help facilitate a more orderly process for settlement by banks,” he added. In the recent days, various countries have seen a dramatic increase in Blockchain adoption, awareness and the government’s openness to the technology.

In Budget 2018, Union Finance Minister Arun Jaitley announced that the Centre will explore use of Blockchain technology to boost the digital economy. “Blockchain has potential to transform our lives through its benefits viz. faster settlement times that are user-optimised, lower collateral requirements and counterparty risk, improved contractual term performance, greater transparency for regulatory reporting, better capital optimisation, reduction of operating costs and it is incorruptible,” said Prasanna Lohar, Head-Innovation and Architecture, DCB Bank.

Significance

The blockchain is considered to be the technology that will transform the Banking, Financial Services and Insurance (BFSI) sector and the Indian industry is no different. In case of the insurance industry, it has the ability to change the way we share data, process claims and prevent frauds. “Bajaj Allianz General Insurance is the first in the Indian insurance industry to leverage blockchain through ‘Travel Ezee’. It is a unique concept since in case of flight delays, it is not the customer that is initiating the claim process; it is us, the insurance company that keeps a track of claim events and initiates the payout proactively,” said K V Dipu, President and Head of Operations, Bajaj Allianz General Insurance. In the future, usage of Blockchain and smart contracts will not only help the insurer manage claims in a responsive and

transparent manner, but also aid in fraud detection as it can help record and verify the customer data as record claims.

It also has the ability to transform the payment process for banks by enabling higher security through its shared ledger concept. "I feel that Blockchain will have a profound impact on the BFSI sector and its adoption in real use cases is set to accelerate," said Dipu.

Challenges in Blockchain Implementation

Blockchain technology and its derivatives are continuing to mature. However, experts suggest that a number of enabling challenges need to be addressed for its mainstream potential to be realised around the world.

- Blockchain skillset and matured start-up availability
- Technology maturity and required standardisation
- Regulation and Government adoption support
- Development of use cases for potential benefits to demonstrate real commercialisation potential

Collaboration is the Key

The financial services infrastructure will be radically changed by Blockchain technology. Recent trend is towards collaboration i.e. partnerships between banks, technology companies, Fintech and regulators will bring benefits to consumers and the financial system. Bankchain is one of such massive platforms formed in collaboration with State Bank of India, ICICI Bank, DCB Bank and 30 more members. We have seen collaboration among competing financial institutions is helping to overcome early challenges associated with the technology and it will ensure that full economic and social benefits are realised. "Certainly after five years, we will not talk about Blockchain. But its use cases just like we don't talk about the Internet but its Usecases over browsers. Post- Demonetisation, Unified Payments Interface (UPI) and many other movements in innovations, Blockchain and its underlying technology would be "Radical Change Agent" in India," said Lohar of DCB Bank.