

Moving the Needle

...the journey from policy to implementation...



October 2023



Dear readers,

In this edition of Moving the Needle, we are pleased to feature Mahin Gupta. A seasoned professional with experience in managing wallet infrastructure, Mahin is the Founder of Liminal, a custody wallet platform for digital assets. He has also co-founded ZebPay, one of the large crypto exchanges in India.

We highlight the economics between buying capacity and gender while highlighting indicative suggestions that can be progressed upon. Multipolarity today is becoming the new normal and the pace of adoption will determine the direction geopolitics takes in the coming years. That being said, India's path towards becoming self-reliant in military aerospace requires some critical decisions in a few key areas.

India's G20 presidency has been a resounding success across sectors especially in healthcare which also included the call for the Pandemic Fund. That also brings us to the topic of having many more social entrepreneurs in India in order to have more sustenance in the economy. India's focus on infrastructure development and the inclusion of technology across segments including in insurance (insurtech) is defining the growth chart for the country.

We hope you find this edition a valuable read and look forward to your inputs and suggestions.



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01 – Policy Square

Policy Square | A Primus Partners initiative to understand the more fundamental questions in policy making

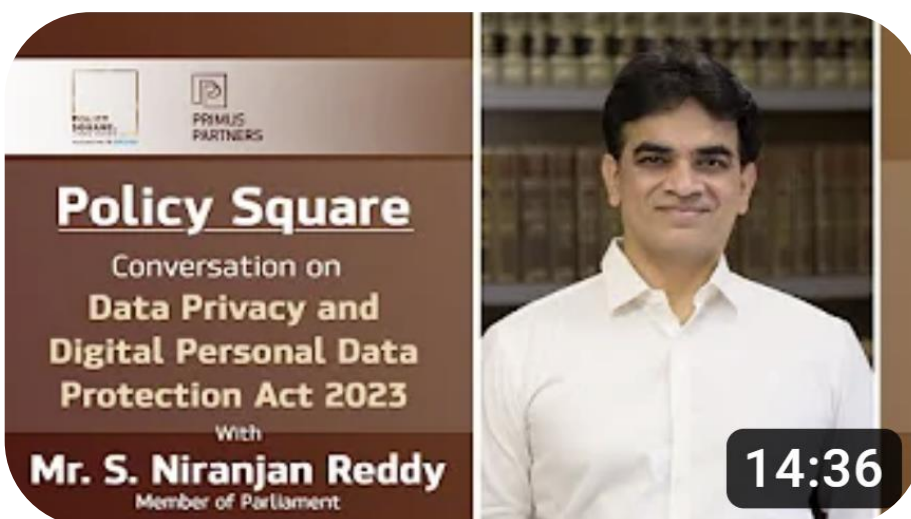
Primus Partners on 28th December 2021, launched **Policy Square**, in association with Businessworld.

Policy Square, an initiative by Primus Partners, is a monthly expert interview series wherein key constituents of the public policy ecosystem – senior policy-makers, civil society members, business executives etc. – are interviewed on critical issues and policies of national importance to explore

their impact on the country and industry at-large.

The motivation for the Policy Square series is driven by Primus Partners' rich policy-regulatory knowledge, as well as experience of delivering projects across multiple sectors, with an aim to leverage this knowledge, and create a platform to table in – depth discourse.

With this initiative, we have attempted to engage with experts at various levels within the country's ecosystem. Each expert has brought in a new perspective – all towards enabling India's growth both in absolute and relative terms.



[Latest episode](#) features:

Mr S Niranjana Reddy, Member of Parliament, Rajya Sabha

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02 – Economy

The Economics between buying capacity and gender

“Gender equality is more than a moral issue; it is a vital economic issue. For the global economy to reach its potential, we need to create conditions in which all women can reach their potential.” - Former IMF Economic Counsellor Maurice Obstfeld, March 23, 2017 (IMF 2017)

In the realm of economics, the intersection between buying capacity and gender is a dynamic and multifaceted lens through which we can understand consumption patterns, market dynamics, and societal structures. The country is seeing a lopsided distribution of wealth even with rapid economic growth. As per reports, **women own just between 20- 30% of the country's \$6 trillion overall household wealth—much less than the global share of 40%.**

Similarly, many reports and indices have ranked India low on various parameters measuring gender equality. The **Global Gender Gap Index** benchmarks the evolution of gender-based gaps among four key dimensions including Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment. Out of the 156 countries that were studied,

South Asia is the second-lowest performer on the index, ranking India 140th globally (Ranking depicted in the Table).

The Government has enacted various legislations, implemented schemes to enhance the safety and employability of female workers by providing training through various Women Industrial and National Training Institutes, National Skill Development Policy, Pradhan Mantri Kaushal Vikas Kendras etc.

India’s Rankings in Global Gender Gap Index as per the Global Gender Gap report of WEF

Global Gender Gap Index	2006 score	2021 score
	98	140
Economic participation and opportunity	110	151
Educational attainment	102	114
Health and survival	103	155
Political empowerment	20	51

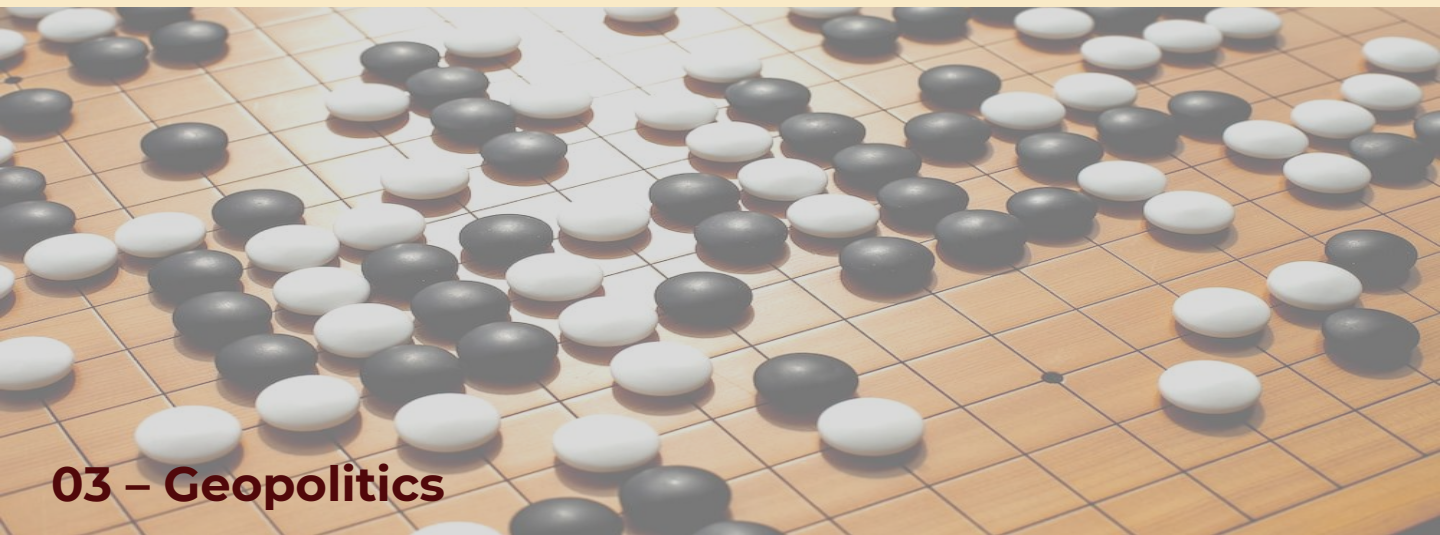
However, despite various affirmative steps, several reports indicate the need for affirmative steps in society to improve the status of women in society. As per reports, **in India only 22.3% of women participate in the labour market, translating to a gender gap of 72%.**

In order to encourage the employment of women and create a congenial work environment, the government has added several enabling provisions in the Labour Codes including Health and Working Conditions Code, 2020, Occupational Safety and the Code on Social Security, 2020.

Therefore, the country requires a multifaceted and comprehensive approach-

- Need for strengthening social safety nets, including unemployment benefits and healthcare, to protect vulnerable populations in the country.
- Promoting gender equality in the workforce by addressing wage gaps and providing equal opportunities for career advancement. Effective implementation of schemes such as “Mission Shakti”, that not only improve women’s safety and empowerment but also tackle pervasive gender biases and discriminations.
- Ensuring partnerships from the local to the global level and by all parts of society – individuals, businesses, governments, employer and civil society. Promoting partnerships with business associations around supply chains, potentially with a focus on some sectors (e.g. textiles and apparel, agriculture etc.)
- Provide women with immersive digital literacy and skill training to help them refine vocational skills and improve financial literacy. At present, only 30 percent of India’s online users are women.

Effective steps need to be taken to increase India’s ranking in the Global Gender Gap Index. The government can set an enabling legislative framework, invest in women’s equality, and convene the partnerships that are likely to accelerate progress to attain this goal.



03 – Geopolitics

Multipolarity - the new normal?

Multipolar World – The New Normal

Ample literature has been produced to detail the journey of multipolarity in the world. The end of US dominance, culmination of the Cold war, the 2008 financial crisis, and emergence of interest-based alliances have all marked a shift from the traditional unipolar politics of the past.

The idea of multipolarity did not come in easy for the traditionalists. A fractured world being built on conflicting geopolitical agendas is one of the many ways in which multipolarity was greeted as a thought. The dawn of 21st century though altered the reality.

Multipolarity brought with itself redistribution of power, realignment in geopolitical realities, and introduced new paradigms of global diversification. Emergence of critical and emerging technologies, growing technological dominance and altering faces of finances further embellished the idea of global multipolar alliances and cooperation. The result is a multipolar world being the new normal today.

This multipolarity has further paved the way for multistakeholder consultations in global governance. New stakeholder groups in the form of religious organisations, thinking centres, corporate houses, terror outfits and a constituency of social media influencers now assert equal influence in policy making.

The most recent example of this is the just concluded G20 Summit in Delhi. The Summit essentially a dialogue group of 20 of the largest global economies witnessed interactions amongst counterparts in over 60 different target groups. These target groups ranged from the civil society to educationists and from business to the academic community.

What is the future of multipolarity?

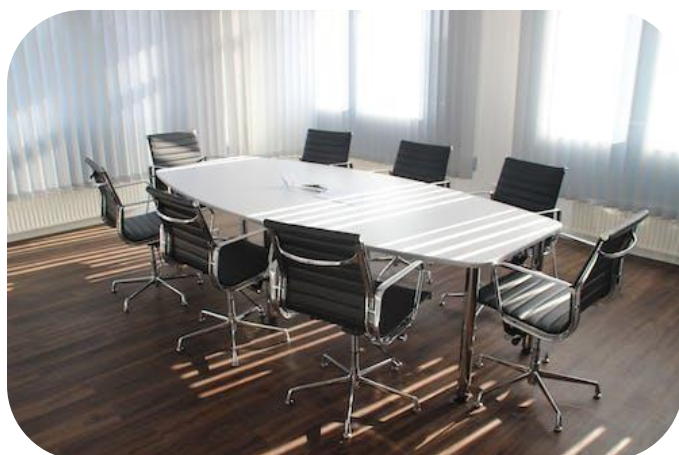
Is multipolarity the next big thing, after globalization, to alter the course of cooperation? How far will this bonhomie go in governing the emerging world? Will such fissional distribution of power lead to a more united world with more porous

borders and greater convergence in national, regional and global interests or will the world become more divided with inward looking countries reversing the trend of globalisation?

Moving from the preceding American century, the ongoing one is predicted to be Asia's century. A period where power dominance will lie in the Asian continent. The Asian tigers have come to dominate global markets in every sector from technology to alternate financing models, these are also the mass consumer markets as well as the epicentres of mass production units. Asia today has the economies of scale as well as that of scope, the demand and the supply hub for the world.

How multipolarity has come to personify the dawn of the Asian century lies in the very ethos being preached by the leadership of these fast-growing nations. Asia's century is not just defined by the rise in the might of the Asian continent but rise in global might led by the intellectual, technological and social might of the continent.

Like every disruption, multipolarity too has brought in its share of unease but what remains to be seen is the pace of adoption of the global leadership towards the new normal of today and tomorrow.



04 – Infrastructure

Construction Equipment Industry – towards achieving the infra growth plans

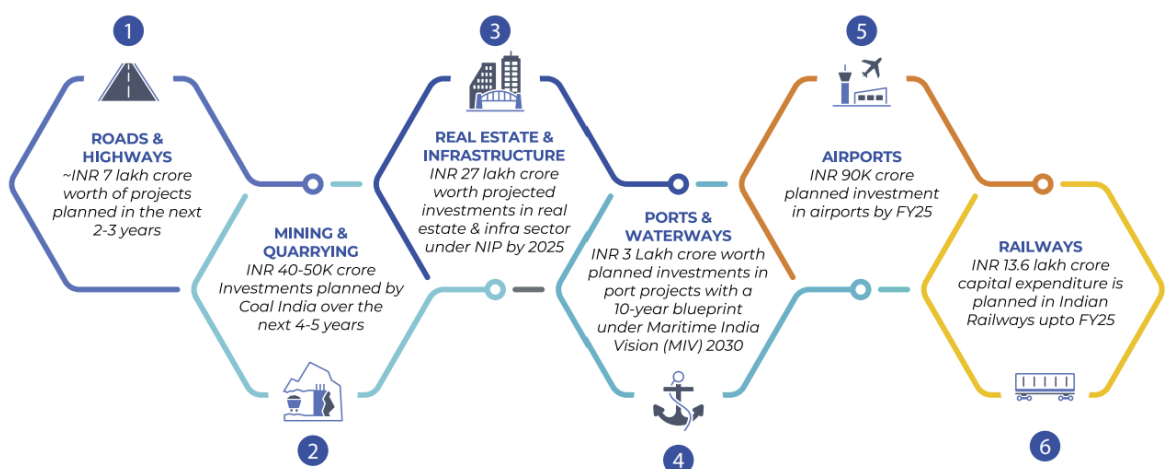
Needless to say that infrastructure development is crucial towards realizing dreams as laid out for India @2047. The Indian government has given a massive push to the infrastructure sector, by launching the national infrastructure pipeline (NIP) in FY20, which adds 9000 projects valued at almost INR 109 lakh cr. This is further complemented by the PM Gati Shakti Master Plan including overall multimodal logistics infrastructure. In that regard, ambitious projects are being pursued across the length and breadth of the country – be it bridges, or rail tracks, or roads, or airports, or water bodies.

The construction equipment industry in India (with earth moving equipment accounting for almost three quarters of the total industry turnover) is a key component towards realization of the infrastructure growth targets. Being the 3rd largest construction equipment market globally, the industry

today comprises around 50+ entities, employing more than 3 million people. The key growth drivers with a high-level opportunity scope as pointed out in the Industry Construction Equipment Manufacturers Association Annual Report 2021-22 are as below:

Two facts as pointed out by industry experts in the last few years are as below:

- a thumb rule that a 0.5% increase in mechanization results in an increase in demand for construction equipment worth upto \$30bn,
- coupled with the fact that there is a requirement of almost \$7 trillion investment in infrastructure over the next 7 years, expected to trigger a business of around \$180-200bn during the same period.



Requires men, machines and money:

A very high level calculation indicates that where around 80,000 units of construction equipment results in around \$6bn in turnover – for a \$180-200bn turnover in a decade (meaning around \$18-20bn turnover p.a.), it would require almost 10 times the number of construction equipment to be operational. Even if we offset a multiplier effect assuming exponential growth with domino effect across industries, it would be safe to assume atleast a 2x-3x times growth required in construction equipment being made available for operations. This means potentially 1.5 lakh construction equipment being sold annually atleast in the country.

This also requires a focus on skilling operators and parallely looking at incentives towards such training programs that can be leveraged by the OEMs in this segment in India

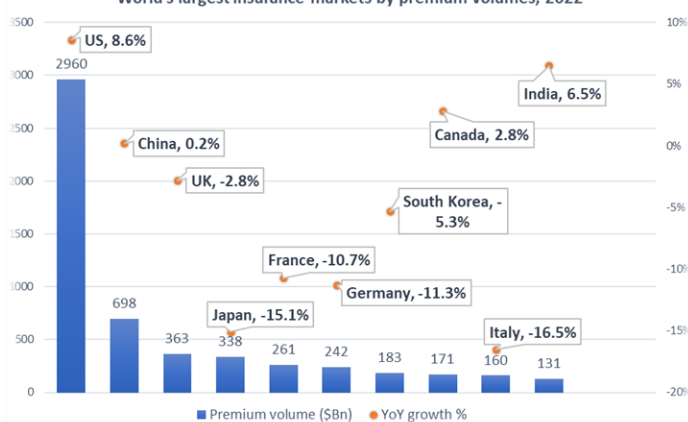
05 – Technology

Tracing the Indian Insurtech revolution

India's insurance industry was largely monopolized by LIC till the late 90s. Private companies entered the insurance sector in 2000 setting a limit on FDI to 26%, which was increased to 49% in 2014, and further increased to 74% in May 2021.

digital penetration in insurance stands at 2%, denoting significant headroom for growth in the years to come. According to Tracxn, there are currently over 140 insurtech start-ups in India. Funding in Indian insurtech rose from \$10 million in 2016 to \$800 million in 2021, accounting for almost 6% of the total global funding in the sector over the same period. Some of the prominent companies in the Insurtech space include unicorns such as PolicyBazaar, Acko, Digit insurance, and others like Ditto, Nova, RenewBuy, InsuranceDekho, as well as fintech aggregators like Paytm.

World's largest insurance markets by premium volumes, 2022



As per a recent Swissre report, the Indian insurance market stands at \$131 billion in 2022, making it the tenth largest insurance market by premium volumes. The Indian market grew by 6.5% over the last year, which is second highest growth globally after the US. The pandemic made people realize that insurance isn't a choice but a necessity.

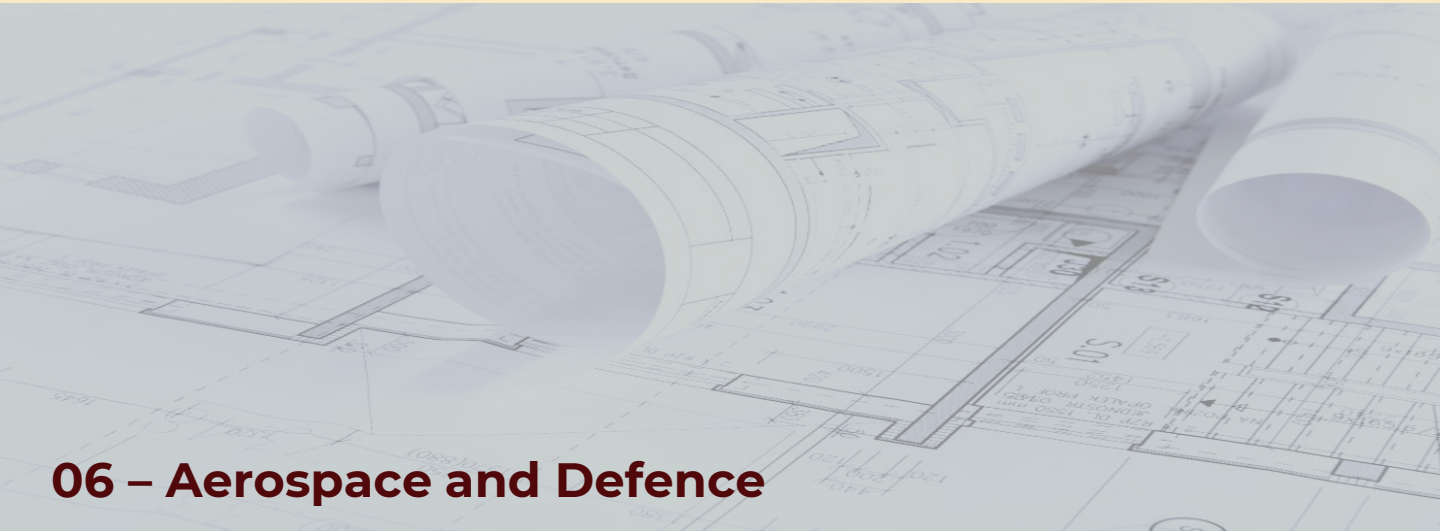
This realization combined with focus on mental health has changed the perception towards insurance in India. Government interventions such as the Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), launched in 2018, aims to provide financial protection to over 107 million families. Similarly, the Pradhan Mantri Fasal Bima Yojana (PMFBY) launched in 2016, is a crop insurance scheme which covers over 55 million farmer loan applications per year.

Insurtech refers to the usage of technology to improve business processes, reduce costs and drive innovation within the insurance industry. The insurtech market stands at \$2 billion (as of 2021) and is slated to reach \$13 billion by FY2026.

A Redseer report suggests that digital insurance in the US stands at 14% of the population, and 6% in China. In India,

Our Opinion

- India is expected to become the sixth largest insurance market by 2032, backed by strong economic growth, rising levels of disposable income, India's young insurable working population, increased risk awareness, digital penetration, and positive regulatory developments. The industry regulator, Insurance Regulatory and Development Authority of India (IRDAI), is also expected to play a catalyst role to foster the growth of digital insurance and protecting consumer's interests.
- Traditional insurance companies in India would need to leverage technology within the organisation and also with customer interactions to unlock higher potential and efficiency. As technology continues to advance and consumer expectations evolve, insurtech startups are likely to play a pivotal role in reshaping the insurance industry in India
- Traditional insurance and insurtech companies would synergize to drive insurance awareness across Tier2 cities and beyond, widespread use of women-specific insurance products, and better SME participation in the ecosystem.
- B2C business models which are valued higher by investors due to higher operating leverage and perception of higher proximity to customers, will remain the main focus area for insurtechs in the short to medium term.



06 – Aerospace and Defence

Military aerospace – Need to move forward on war footing

The landscape of defence, especially in military aerospace is a dynamic tableau shaped by technological advancements, geopolitical shifts, and evolving defence strategies. It is imperative that we work towards a comprehensive ideation for the industry's future, bolstered by factual insights and actionable recommendations.

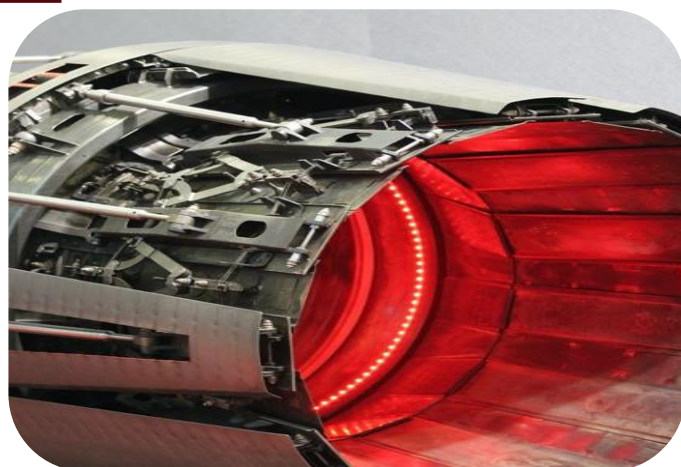
India's progress in the military aerospace segment upfront appears to be a slow and steady one, but over the years there has been significant development and growth in capabilities and capacities. Both the public and private industries have worked towards increasing and enhancing the product portfolios. There are gaps, agreed, but these gaps are being either addressed or are a work in progress – and no stone is being left unturned for the same.

India today is working towards a few very critical areas from a military aerospace perspective. As highlighted in our recently released PoV [Military aerospace in India - Thrusting for the afterburner](#), aero engines is one of the biggest gaps currently and hence a key focus area for the way forward.

Having an evolving ecosystem today in the country for both aerostructures and electronics / avionics – aero engines are the critical missing link. There have been efforts towards developing an indigenous military aero engine, but the gap still exists.

Aeroengines are the lifeblood of military aircraft, dictating their performance, range, and sustainability. The industry must prioritize R&D in next-generation propulsion technologies. It is high time to pursue the plan for establishing a new jet engines manufacturing facility, in collaboration with the private industry. The incorporation of high-efficiency, low-emission aeroengines, and the exploration of hypersonic propulsion systems are essential steps which will not only bolster air superiority but also contribute to strategic fuel conservation.

Aero engines having already been classified as projects of national importance in the DAP 2020, it is important to setup the framework towards the goal of having an indigenous aero engine manufacturing ecosystem within the boundaries of the country. With all the major global aero engine manufacturers having presence in India, the existing ecosystem could be leveraged for partnerships and tie ups.



It is important that the current capabilities are mapped with respect to the various facets of aero engines and an outcome-oriented plan be put in place for execution. With reportedly more than 8000 MSMEs in the ecosystem, a bird's eye view of the Indian industry showcases a strong presence in the Tier 2 and Tier 3 segments. With a very strong automotive industry, there are some inherent capabilities that the Indian industry possesses in forging, casting, electrical systems, harnesses and precision engineering, the challenge lies in niche areas including material sciences.

With military materials also finding specific mention in the DAP 2020 along with the proposed sourcing methodology also should be pursued in sync with the academia as well.

The future of military aerospace lies in the adept navigation of a multifaceted terrain filled with challenges and opportunities. It is critical to forge the way for military aerospace industry towards innovation, sustainability, and security. By championing advancements in aeroengine technology, there is a huge scope to be able to pave the way for a future where military aerospace remains at the forefront of the indigenous defence capabilities. These action points, grounded in facts and strategic foresight, constitute the foundation for a resilient and future-ready military aerospace industry, addressing the evolving threats and maintain global security.



07 – Healthcare

Highlights of G20 Health Ministers' Meeting

India recently concluded the G20 Leaders' Summit 2023 under its Presidency and presented the world with the ambitious theme of **'One Earth, One Family, One Future'**. Through this theme, India brought focus on the need to equitable access to essential resources to underserved countries and regions, the socioeconomical importance of developing the Global South countries, the importance of collaboration and cooperation amongst the G20 Member and Invited countries and the partnerships with the International Organisations in order to strengthen the efforts at the grassroots levels.

Under the Sherpa Track, the Ministry of Health and Family Welfare successfully conducted Three Health Working Group Meetings and the final Deputies and Health Ministers' Meeting with participation from **30 countries and 28 International Organisations**.

The Ministry of Health shaped its approach in providing a greater voice for making the concerns of the "Global South" heard at a very crucial juncture for the international community. Continuing to underline these matters, India identified certain priorities as focus areas including:

1. Health Emergencies: Prevention, Preparedness and Response (With focus on Anti-Microbial Resistance AMR and One Health).
2. Strengthening cooperation in the Pharmaceutical Sector with a Focus on Availability & Access to Safe, Effective, Quality, and Affordable Medical Countermeasures – VTDs (Vaccines, Therapeutics, and Diagnostics).
3. Digital Health Innovations and Solutions to Aid Universal Health Coverage and Improve Healthcare Services Delivery.

As a result of deliberations and negotiations amongst the countries the **Chair Summary** of the Health Working Group Meetings and the Deputies Meeting was released.

A monumental achievement of the G20 India's Presidency was the launch of the **Global Initiative for Digital Health (GIDH)**, carried forward from the Saudi and Indonesian Presidencies and governed by WHO. The objective of GIDH is to strengthen the impact of future healthcare investments by building upon and magnifying the advancements achieved in **global digital health for health systems**, all while fostering mutual accountability. This aims to consolidate both recent and past achievements in the field.



The four foundational pillars of GIDH

Another significant development was the Call for Proposals for the **Pandemic Fund** created by the **Joint Finance-Health Task Force (JFHTF)**. The fund was created under the Indonesian Presidency in order to mitigate economic vulnerabilities and risks from pandemics and improving readiness for large-scale pandemic response.

The G20 India's Presidency also used the opportunity to start a dialogue on the potential of evidence-based **Traditional and Complementary Medicine** and its utilization in achieving sustainable health goals.

India has come a long way in terms of innovation in the field of healthcare and the G20 was a fitting platform to showcase the various advancements that India has achieved over the years whether it is **Pharmaceuticals, Digital Health, Medical Value Travel or Medical Technology**. The delegates were able to engage with the leaders in the private healthcare industry by the means of the various Side Events and Exhibitions along the sidelines of the Health Working Group Meetings. As a result, several MoUs were signed for promotion and facilitation of **"Heal in India"** and **"Heal by India"** initiatives of the government.

The HWG Meeting in Hyderabad included a field visit to Genome Valley. The delegates were deeply impressed by the Animal Resource Facility of ICMR, as well as the Bharat Biotech's plant, a pioneer in bio-technology and the developer of the Indian COVID vaccine, Covaxin. They witnessed the current capabilities of both public and private facilities in India, and their efforts in developing and manufacturing medical countermeasures. The meeting in Gandhinagar included excursions to Torrent Pharmaceuticals, one of the largest pharma companies of the country, and Zydus Hospital, a multispecialty hospital in Gujarat. The visit to U.N. Mehta Institute of Cardiology & Research Centre also proved extremely fruitful in showcasing the world class medical facilities that India houses

08 – Financial Services

Foreign investments driving India's green economy transformation

Foreign investments play a pivotal role in the transition toward a greener & more sustainable economy worldwide. As climate change continues to pose a significant threat to our planet, countries are increasingly turning to foreign investments to fund & accelerate their environmental initiatives.

According to UNCTAD, global FDI flows into clean energy were \$544 billion in 2022. This trend is driven by several factors:

Sustainability Commitments: Countries worldwide are recognizing the importance of international collaboration to achieve their green goals. Initiatives like the Paris Agreement & the UN SDG are fostering partnerships & encouraging foreign investments in environmentally sustainable projects. Investors increasingly view sustainability as a marker of long-term stability.

Regulatory Support: Governments are offering incentives, tax breaks, & regulatory support for green investments. Thus, encouraging both domestic & foreign investors to allocate resources to clean energy & sustainable projects.

Market Opportunities: As the demand for clean energy, electric vehicles, & sustainable technologies grows, investors see attractive market opportunities in the green sector.

According to the report by Getting India to Net Zero, India needs investment of \$10.1 tn to achieve its net-zero emissions target by 2070. Achieving this target, shall increase the annual GDP by 4.7% by 2036 & create 15 million new jobs by 2047.

India has been actively pursuing foreign investments (received \$1.6bn in 2022) to support its green economy initiatives through:

Green Bonds: India has seen the issuance of green bonds by both public & private entities - designed to fund environmentally friendly projects & attract socially responsible investors.

FPIs: India has streamlined the FPI process for investments in green sectors, making it easier for international investors to participate.

Sustainable Finance Regulations: India's financial regulators, including the RBI & SEBI, have introduced guidelines to promote sustainable & responsible banking & investment practices.

Green Missions: As part of India's National Green Hydrogen Mission the government will consider investments in this sector via Foreign VC investors. The adoption of green hydrogen has the potential to help India reduce a cumulative total of 3.6

gigatonnes of CO2 emissions by 2050 & cut industrial coal imports by 95%.

Electric Mobility: India is gradually transitioning to EVs to reduce carbon footprint by permitting 100% FDI in automobile sector. Companies like Tesla, Hyundai, & Suzuki have announced plans to invest in EV production facilities in India.

Waste Management & Recycling: With growing concern over waste management & pollution, India has attracted foreign investments in recycling technologies & waste-to-energy projects.

Under the US-India Strategic Clean Energy Partnership (SCEP), both countries during the G20 India Presidency agreed to set up a Renewable Infrastructure Investment Fund with investments of up to \$1 billion.

The Road Ahead: Foreign investments have become a cornerstone of efforts to transition to greener economies globally. With increasing awareness of climate change & the urgency to act, nations are positioning themselves to attract foreign capital for sustainable development. India, with its substantial FDI in renewable energy & green initiatives, is a testament to the power of foreign investments in driving environmental progress.

While there is progress in the sector, developing countries require renewable energy investments of about \$1.7 tn each year. As sustainability gains prominence, there is an increasing recognition of the pivotal role that green finance plays in India's journey towards achieving a net-zero economy. However, the concept of green finance is still evolving & has taken many forms, including loans, bonds, & equity investments.

During the G20 India Presidency, recommendations of the Sustainable Finance Working Group (SFWG) have been acknowledged, which puts emphasis on importance of mobilizing resources for climate finance while supporting transition activities based on country-wise circumstances.

Public finance is an essential function in enabling climate actions by leveraging private finance through blended financial instruments, risk-sharing facilities, & scaling up via Multilateral Development Banks (MDBs). **To effectively implement innovative green financing methods & accelerate the shift toward a net-zero economy by 2070, it is essential to have collaborations between government, academia, & industry, advocate for new policies, & establish public-private partnerships.**



09 – Impact

Social Entrepreneurship in India – the glass is half full, but half empty also

Growth in India has been unequal, and it is important to bridge the gap -

India, which is home to 17% of the world's population, has one of the fastest-growing economies, with an annual growth rate of 8.7% as of 2021, thanks to 30 years of economic reforms. According to FAO 2021, India has the third-largest purchasing power parity and nominal GDP in the world but there are extremes within the larger set as well. As per the data, India is home to 169 billionaires - the third highest in the world. At the same time, another study by the World Bank has concluded that nearly 80% of people who slipped into poverty in 2020 due to the COVID-19 pandemic hailed from India. Out of 7 crore people globally who became poor that year due to economic losses caused by the pandemic, Indians accounted for 5.6 crore.

While the nation has experienced substantial economic progress, it is important to understand that wealth has not benefitted all citizens equally / proportionately. On one hand, India boasts a burgeoning middle class and a booming technology sector, but on the other, millions of people continue to grapple with poverty, lack of access to basic services, and environmental degradation.

The above highlights a need for social entrepreneurs in the country.

Innovating for social impact: Who are social entrepreneurs?

Technically speaking, social entrepreneurs are persons who establish enterprises with the aim of solving social problems or effecting social change. These individuals are willing to take on the risk and effort to create positive changes in society through their initiatives. Social entrepreneurs aim to create social impact while also generating revenue and profits. They focus on creating sustainable impact solutions that have a positive impact on society and the environment. In general, the success of social entrepreneurs is made possible by the widespread application of ethical concepts, such as impact investing, mindful consumption, and corporate social responsibility initiatives.

The way the social entrepreneurs function, there is no doubt that providing support to them will result in more inclusive growth, especially for the marginalized communities in the country.

Crossing the hurdles for Social Entrepreneurs

Innovation and access to capital are two most important critical success factors for growth of social entrepreneurship in India. The role of government in unleashing the social entrepreneurship wave in India is immense, as they have the capacities to build ecosystems in which social entrepreneurs can thrive.

One such way is by building individual and institutional capacities and generating more awareness on the concept. More capacities need to be developed to educate wider masses and those in the position of authority, on what really social entrepreneurship is. Doing so, will create more awareness among the decision makers and will ease regulatory processes to a large extent for these entrepreneurs.

Institutionalizing frameworks for easing access to capital for social entrepreneurs is also a need of the hour. Social entrepreneurs, while making money, have less ROI on investments and these figures are not what a typical retail investor will look at achieving with their funds. This results in less capital being made available less for such initiatives and therefore also more expensive to access. While SEBI has released the framework for a Social Stock Exchange, making it possible for social entrepreneurs to raise more funds and expand their impact and reach exponentially, more needs to be done in the area.

Promoting collaboration to some extent will also help social entrepreneurs in India. There needs to be a focus on dedicated alliances with the objective of mentoring young entrepreneurs in areas of collaboration, business strategy, market entry strategies, product innovation etc, having dedicated social entrepreneurship alliances will also help.

Conclusion

Overall, there has never been a greater need for social entrepreneurs in India. They have the ability to promote inclusive growth, address social injustices, and also tackle environmental issues. Social entrepreneurs may pave the path for a better and more equal future for India and its diverse population by developing creative, long-lasting solutions that prioritize social impact.



Mahin Gupta

– Founder - Liminal

A seasoned professional with experience in managing wallet infrastructure, Mahin is the Founder of Liminal. He has also co-founded ZebPay, one of the large crypto exchanges in India.

With his expertise in managing wallet infrastructure, through Liminal, Mahin manages high transaction volumes and digital assets

What is your opinion on the importance of digital asset custodians in the Indian context? Do you think there is a market for custody services in India? With regulatory requirements increasing across the world, how will the custody space evolve moving forward? And lastly, how is Liminal contributing to the custody market in India?

As we've seen in the traditional financial markets, custodians are indispensable to ensure segregation of duties, timely settlements, risk mitigation, protection from thefts / losses and to ultimately enhance overall consumer protection. We are seeing the same principles of traditional financial markets playing out in the evolving digital asset landscape as well. Liminal's infrastructure is purpose-built to address all the critical risks associated with blockchain wallets including security risks like private key thefts, breaches, etc; operational risks around creating secure backups and ensuring safe transfers within the complex wallet operations run by large-scale digital asset businesses; and finally ensuring that all compliance and regulatory risks including KYC, KYT, capital control requirements, AML/CTF requirements, tax evasion, are maintained under strict checks and balances.

Furthermore, what happens to a user's digital assets in the event a web3 business undergoes bankruptcy or insolvency? We saw this play out extensively in the case of FTX and other businesses. With custodians like Liminal, user's assets are held under a trust and are segregated from business assets to ensure users continue to have a claim on their assets even in such dire circumstances.

As far as the India market goes, a recent study by Chainalysis ranked India as the #1 in grassroots crypto adoption. India already has a few unicorns in the Web3 space and has a very robust regulatory and compliance framework in place. As the industry and the regulators progress with building a framework for digital assets custodians like Liminal will play the important role of ensuring safety and security for millions of Indian investors. The custody space is evolving globally, and is driven by stricter regulations as more and more institutional investors enter the digital asset realm. Liminal has invested heavily in building out a secure and compliant infrastructure solution and will be at the forefront of leading the custody revolution in India.



10 – Expert Speak

has invested heavily in building out a secure and compliant infrastructure solution and will be at the forefront of leading the custody revolution in India. Liminal offers institutional-grade security and built-in compliance with PMLA, AML, and Travel Rule, in an intuitive platform that allows institutions to manage their digital assets seamlessly, whether through a dashboard, through APIs or a mobile app, offering users the flexibility and mobility they require.

Liminal's commitment to adapting to Indian investors' unique needs positions it as a key player in India's digital asset growth and security and we are well equipped to meet the unique needs of Indian digital asset regulators, businesses and the investors.

Today, there is a lot of focus on having localized / domestic data centers, will there be similar requirements for localized storage of digital assets? Especially in India which is seeing a spurt in infrastructure. What, in your opinion, are 2-3 USPs that separate the Indian market from the rest of the world?

The trend toward localized storage of digital assets is indeed gaining momentum across the globe. Given that digital assets are global in nature, this trend is driven primarily by countries looking to ensure compliance with capital controls so that financial stability concerns are kept in check. Furthermore, having localized storage of private keys (key residency) is also useful in complying with data protection laws, tax evasion concerns, etc. Storing assets with a custody provider in one's native country also offers a distinct advantage in asset retrieval in case of security or operational incidents, such as malware attacks or private key theft. The provider's accountability within a specific region's legal framework enhances both - government as well as investor confidence.

If we look at India, given the tremendous response to digital assets by Indian citizens, the Government of India has been very proactive in its approach to regulating the digital asset industry. Our understanding is that they will very likely include requirements for localized storage of digital assets in its forthcoming regulatory framework as well.



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If you look at the Indian market closely, it stands out globally due to several USPs. First, it boasts a large and continuously growing population, which translates to a vast potential user base for digital assets. Additionally, the Indian government's recent presidency at the G20 summit demonstrated its proactive and measured stance toward the digital asset industry. The government's recent CBDC project and ongoing considerations for digital asset regulations will definitely provide regulatory clarity and will foster investor confidence, consequently spurring demand for digital asset products and services.

All in all, localized storage of digital assets aligns with the heightened focus on investor security and may become a regulatory requirement in India's evolving digital asset landscape. The Indian market's unique characteristics, including its demographic profile, digital asset adoption rate, and government support, position it as a promising and distinctive player in the global digital asset arena.

What do you see as the 2-3 most critical challenges and opportunities in the India market for custody solutions in digital assets?

As a licensed and regulated digital asset custody platform, we identify three critical challenges in the Indian market for custody solutions in digital assets:

Regulatory Uncertainty: The foremost challenge is the ongoing regulatory uncertainty in India's digital asset industry. The government is in the process of developing the regulatory framework. And without a clear regulatory framework to guide them, it is challenging for web3 businesses including custody providers to plan long-term investments in infrastructure and compliance programs

Lack of Public Awareness: Despite the rapid growth in digital asset adoption, there remains a substantial lack of awareness and understanding among the general public. This lack of awareness creates challenges for digital asset businesses, as they not only have to build their own business, but also have to build awareness about the industry and educate all the stakeholders.

Regulatory Arbitrage: Due to lack of complete clarity on regulations, Indian digital asset businesses are already required to comply with stringent regulations, however they end up facing competition from international counterparts who do not fall under the ambit of limited regulations. This creates an uneven playing field resulting in regulatory arbitrage.

While businesses suffer a lot, one of the biggest casualties of such scenarios are investors who cannot seek relief in case things go wrong. As far as the opportunities go, India's digital asset market has tremendous potential in the form of:

Blockchain & Web3 Startups: India has already demonstrated its innovation abilities with more than a handful of companies making a huge impact on the global web3 stage. Indian founders are some of the most respected founders globally and have positioned India as a hotbed for web3 innovation. Majority of the blockchain projects in the world look to India for its vast developer pool as well. With some regulatory intervention web3 startups and developers can truly have a great opportunity in India in the coming years.

Digital Asset Tokenization: Like many other countries India too has huge reserves of illiquid assets that can be brought onto digital asset platforms in the form of tokens. Many interesting use cases have emerged that cater to the needs of Bharat including agri-businesses, warehousing, public services, land records, medical records, and more. I see this area developing rapidly in India and Liminal will look to support the acceleration of these use cases in India.

Global Payments & Remittances: It is a well known fact that the Indian diaspora is one of the largest remitters in the world and with the tremendous progress India has already made with its CBDC, I will not be surprised to see a lot of growth emerging from this space as well. Blockchains and digital assets have already proven their capabilities when it comes to near real-time settlements for cross border transactions. Once the world arrives at a regulatory consensus for such transactions, we will see rapid growth from India as well.

Net net, the digital asset custody market in India holds immense potential. The country's digital asset adoption is on the rise, and the government continues to demonstrate a positive and measured stance toward the industry. At Liminal, we are well poised to navigate regulatory uncertainty, and will continue our efforts to raise general awareness about our custody products that can help shape India's evolving digital asset landscape.

*From the
startups
real experts*

10 – Expert Speak

From a policy perspective, what would be the key 2-3 interventions that can define this market in the coming years in India?

From a policy perspective, the future of the digital asset custody market in India depends on several key interventions:

Clear and Comprehensive Regulations: As the Indian government develops regulations for the digital asset industry, it's imperative that these regulations are clear, comprehensive, and provide certainty for both investors and custody providers. Establishing a well-defined regulatory framework specific to digital asset custodians is crucial to ensure safe and compliant operations within the sector.

Government Support: To foster the growth of the digital asset industry, the Indian government can provide vital support, both financially and infrastructurally. This support might take the form of tax incentives for digital asset companies or investments in research and development. Creating a sandbox environment, similar to the Telangana Sandbox initiative, would enable the testing of new products and services, encouraging innovation and growth within the industry.

Public Awareness and Education: The government can also contribute to public awareness and education regarding digital assets. Educating the public about digital assets can enhance understanding and reduce the risks associated with scams and fraud. Public awareness campaigns can play a crucial role in promoting responsible and informed participation in the digital asset market.

By implementing these policy interventions, the Indian government can pave the way for a thriving and well-regulated digital asset custody market in India. Such an environment would benefit both investors and custody providers while fostering the overall growth and development of the Indian digital asset industry.

While the web3 and crypto businesses appear to be growing organically and more prominently via start-ups and niche area focussed companies, do you foresee larger companies taking up space in this domain via the M&A avenue. If yes, how will that impact the market in India?

In the foreseeable future, it's quite plausible that larger companies will enter the Web3 and crypto domain through mergers and acquisitions (M&A). Several factors contribute to this likelihood. Firstly, large companies continually seek new avenues for growth. Given that the Web3 and crypto industry is still in its early stages, it presents substantial growth potential in the coming years. Large enterprises, equipped with ample resources, are well-positioned to invest in these emerging yet intricate technologies. Moreover, by acquiring Web3 and crypto companies, larger corporations can offer their existing customer base innovative products and services that cater to the growing interest in Web3 and crypto.

The impact of larger companies entering the Web3 and crypto market in India, however, will be a mixed bag. On one hand, their involvement can lend credibility to the industry, attract more significant investments, and drive adoption. On the other hand, it may lead to market consolidation, potentially making it more challenging for smaller firms to compete. Nonetheless, in the broader context, the entry of larger companies will only expedite the overall growth and development of the Web3 industry in India.

About Primus Partners

Primus Partners has been set up to partner with clients in ‘navigating’ India, by experts with decades of experience in doing so for large global firms. Set up on the principle of ‘Idea Realization’, it brings to bear ‘experience in action’. ‘Idea Realization’— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability.

Our core strength comes from our founding partners, who are goal-oriented, with extensive hands-on experience and subject-matter expertise, which is well recognized in the industry. Our core founders form a diverse cohort of leaders from both genders with experience across industries (Public Sector, Healthcare, Transport, Education, etc.), and with varied specialization (engineers, lawyers, tax professionals, management, etc.).



PASSION

for providing solutions to help clients achieve their goals

RESPECT

For all and alternate viewpoints

INTEGRITY

of thoughts and actions

MASTERY

of our chosen subject to drive innovative and insightful solutions

US

Representing the Primus collective, where each individual matters

STEWARDSHIP

for building a better tomorrow



CHANDIGARH

2nd Floor, Netsmartz, Plot No. 10
 Rajiv Gandhi Chandigarh Technology Park,
 Chandigarh – 160019



BENGALURU

91 Springboard Business Hub 175 & 176, Bannerghatta Rd,
 Dollars Colony,
 Bengaluru – 560076



DELHI

15, Tolstoy Rd, Atul Grove Road,
 Janpath,
 Connaught Place, New Delhi,
 Delhi - 110001



KOLKATA

Siddhartha Apartments
 4th Floor
 188/2, Block J, New Alipore
 Kolkata - 700053



MUMBAI

601, 6th floor, Raheja Centre,
 Nariman Point,
 Mumbai – 400021

Write to us at: feedback@primuspartners.in

Primus Partners India

@partners_primus

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