

Have to strike a subtle balance

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To shape India's continued ascendancy in FinTech, build the narrative for future strategy and policy efforts, and to deliberate steps for comprehensive financial inclusion, NITI Aayog organized a day-long FinTech Conclave in New Delhi today. The Conclave featured representatives from across the financial space - central ministries, regulators, bankers, startups, investors, service providers and entrepreneurs.

Mr Shaktikanta Das, Governor of RBI inaugurated the Conclave in the presence of Mr Amitabh Kant, CEO, NITI Aayog and Mr Subhash Chandra Garg, Secretary, Department of Economic Affairs, Ministry of Finance.

Giving the keynote address on 'Opportunities and Challenges of FinTech', Mr Das noted that FinTech has the potential to reshape the financial services and financial inclusion landscape in India in fundamental ways. He said, "We have to strike a subtle balance between effectively utilising FinTech while minimising its systemic impacts. By enabling technologies and managing risks, we can help create a new financial system which is more inclusive, cost-effective and resilient."

Mr Kant noted the need to evolve regulatory and policy paradigms keeping in mind the need of nearly 450 million millennials of India to access institutional credit and charting out the future of fintech in India in light of digital technologies such as blockchain and artificial intelligence.

Government of India's efforts focused on Digital India and developing India Stack including Voluntary Aadhaar for financial inclusion have evoked significant interest from various stakeholders in the area of Financial Technology (FinTech).

India is one of the fastest growing FinTech markets globally and industry research has projected that USD 1 Trillion or 60% of retail and SME credit, will be digitally disbursed by 2029. The Indian FinTech ecosystem is the third largest in the globe.

The Indian FinTech industry is creating cutting edge intellectual property assets in advanced risk management and artificial intelligence that will propel India forward in the global digital economy while simultaneously enabling paperless access to finance for every Indian.

The Conclave constituted parallel tracks, which looked into various dimensions of the future of the FinTech, particularly the areas of:

Digital Onboarding of Customers and Merchants for Financial Inclusion Building Financial Products for Bharat Emerging Areas of FinTech Fast tracking investment in FinTech industry Financial Inclusion of MSMEs

The group on fast tracking investment in FinTech sector outlined the need for open banking to be introduced in India and data aggregation utilities be facilitated within innovative frameworks such as regulatory sandboxes. The group also sought to explore introduction of a new sub-class of Non-banking Finance Companies (NBFCs) exclusively for fintech-centric companies to encourage innovation and targeted policy, while also increasing avenues for investor capital.

The track dealing with digital onboarding of customers and merchants for financial inclusion recommended bringing clarity to existing policies, and ensuring consistent and formal guidelines are evolved through consensus among the regulators and the stakeholders. The group also explored the scalability and cost affordability of proposed solutions, with proper awareness generation with regard to risk mitigation and fraud prevention.

Looking at the emerging areas of FinTech, the group considered opening up access to data within a larger framework of informed consent and adequate privacy safeguards. The group discussed the need for India to lead the digital asset revolution, which shall boost India's technical competitiveness and also create cutting-edge jobs. Expanding the roles of business correspondents to supply financial services rather than just banking services and establishing a single source of aggregated, anonymised, consent-governed data was recommended as crucial towards ensuring proper data governance.

To build financial products for Bharat, deliberations revolved around introducing 100% paperless and presence-less eKYC and eSign. Designing customised credit products for nearly 450 millennials, particularly the 2/3rds who continue to belong the underserved regions of the country, was deemed necessary to expand access. Light touch, integrated regulation to enhance inclusion to bottom-of-the-pyramid users without additional regulatory burden for NBFCs.

The group focussing on financial inclusion of MSMEs recommended increasing funding sources and capital supply for MSMEs by introducing sectoral caps and increased margin size. Building capacity by creation of 'smart MSMEs', expanding access to alternate data sources for underwriting and democratising access to government-led MSME ecosystem were other recommendations brought forward.

Going forward, the above recommendations shall be fleshed out and further detailed for feasibility of implementation through cross-sectoral consultations by the NITI Aayog, who has been mandated with expanding digital literacy and promoting financial inclusion.

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