DEPARTMENT OF COMMERCE AND FINANCIAL STUDIES
BHARATHIDASAN UNIVERSITY, TIRUCHIRAPPALLI – 620024
MBA (Financial Management)

Course Code: FMCC2/24

Course Name : - FINANCIAL TECHNOLOGY

Course Teacher: Dr. K. Rajalakshmi

Email ID: rajalakshmi7409@gmail.com

Scheme of Presentation
UNIT- V

- **Regulatory Environment and Fin-Tech Social Impact: Regulatory Landscape:**
- **Key Regulatory Bodies in India (RBI, SEBI)**
- **Regulations Impacting Fin-Tech (PSS Act, GDPR)**
- **Sandboxing and Innovation Hubs.**
- **Fin-Tech and Social Impact**
- **Impact of Fin-Tech on Small and Medium Enterprises (SMEs)**
- **Women Empowerment through Fin-Tech (e.g., Rang De's Women Entrepreneurship Initiatives)**
- **Fin-Tech for Agriculture and Rural Development.**
- **Case Study: Digital Payments and Its Role in the Direct Benefit Transfer (DBT) Scheme.**
- **Challenges and Opportunities in Emerging Markets**
- **Infrastructure and Connectivity Issue**
- **Regulatory Challenges and Innovations**
- **Opportunities for Startups and Entrepreneurs.**

INTRODUCTION

Fin tech refers to the integration of technology into offerings by financial services companies to improve their use and delivery to consumers. It primarily works by unbundling offerings by such firms and creating new markets for them.

Cont…

- In recent years, fintech has emerged as a powerful force for positive social change, leveraging technology to address pressing social and environmental challenges. By democratizing access to financial services and promoting financial inclusion, fintech is empowering underserved communities and driving meaningful change worldwide.

Cont…

- One of the key ways fintech is making an impact is by expanding access to **financial services** for the unbanked and under banked populations. Through mobile banking, digital wallets, and peer-to-peer lending platforms, fintech companies are providing individuals and small businesses with the tools they need to manage their finances, access credit, and build a better future.

Social Impact of Fintech

- Fintech shape finance's future by integrating social impact initiatives,
- Using innovative solutions
- To address global issues like financial inclusion, economic inequality and sustainable development

Approach of Fintech

- Fosters a resilient
- Responsible business model for long-term success
- Aware of global economy

Regulatory Environment of Fintech

The key regulatory bodies that regulate fintechs in India are RBI, IRDAI and SEBI. RBI regulates banks, NBFCs, PSPs, and credit bureaus. It is also responsible for regulating India's money market and foreign exchange market.

IMPACT THE GROWTH OF FINTECH

- Regulatory compliance is paramount for sustainable growth and trust in Fintech. FinTech compliance is the act of following regulatory laws governing new business models and financial technologies. The goal is to protect consumers' interests and investors' capital, and such laws can vary by regions.

IMPACT OF FINTECH FOR FINANCIAL SERVICES

One of the key ways fintech is making an impact is by expanding access to **financial services** for the unbanked and under banked populations. Through mobile banking, digital wallets, and peer-to-peer lending platforms, fintech companies are providing individuals and small businesses with the tools they need to manage their finances, access credit, and build a better future

Cont…

fintech is also playing a crucial role in advancing sustainable finance and driving investments in projects that benefit society and the environment. From green bonds to impact investing platforms, fintech solutions are facilitating the flow of capital towards renewable energy, climate resilience, and other socially responsible initiatives

Indian Regulatory Bodies

The Indian economy is growing with a robust financial system and functionality. The stringent regulations are one of the reasons for such elevation in the economic platform. The categorized bodies hold variable responsibilities for financial activities. The **regulatory bodies in the India** system keep an eye-check on the proper functioning and report any financial scam. For this, the bodies regulate various laws and regulations that the citizen has to follow as part of the economic system. Also, the regulatory bodies empower the economic system with various schemes and offers which ensure fruitful outcomes.

Important Regulatory Bodies

- The Indian economic system has variable bodies which regulate the financial platform with separate and valuable rules. With the distinctive rules, these **regulatory bodies in India** function at the variable platform of national and state-level organizations.
- The Indian regulation system works with four central pillars of the financial system. These four regulatory bodies maintain the financial systems and look after all the finance-related activities. Let’s look for some details:

Four Regulatory Bodies

SEBI (security and exchange board of India)

RBI (reserve bank of India)

IRDAI (insurance regulatory and development authority of India)

CCI (completion commission of India)

SEBI (Security And Exchange Board of India)

It is a vital part of regulatory bodies in India. The growing IPO market in the country is **how SEBI became the regulatory body of the Indian capital market**. The SEBI holds the responsibility to maintain the balance in the stock exchange market of India. SEBI incorporated the charge under the SEBI ACT1992.

Functions of SEBI: There are many exciting and informative functions of SEBI. According to it, the body regulates the stock market of India.

Cont…

Protective functions: SEBI regulates the stock market and its trading with all the adjacent aspects in the **Indian bank's regulatory body**. These functions include investment protection with interest and the prevention of insider trading techniques. The protective functions of SEBI have the charge to spread awareness against any deception among the investment traders.

Development functions: The SEBI develops the platform of the Indian stock market by promoting the growth aspects of investment securities methodologies. Presently, the department empowers investors' knowledge to attract foreign investment for economic growth. The SEBI also runs various training programs for investment development and motivates innovation and research.

Cont…

Powers:

- These powers relate to the responsibility for **how SEBI became the regulatory body of the Indian capital market** to prevent scams and provide the enormous rise in economic growth.
- SEBI can access all the transaction information from the exchange markets.
- It has the power to reform the laws relative to the functioning of the stock exchange.
- Intermediaries regulation
- SEBI can analyse the case for any malpractice and fraud report.

RBI (Reserve Bank of India)

- The central bank of India established the RBI bank in 1935. The RBI regulates all the monetary functions and policies which act effectively in the Indian market. The RBI has a governor under which all the officers regulate the financial market and monetary funding.
- **Functions:**
- Issues the license to all the active banks in India.
- It has the bank policy according to which each bank body should function and follow the regulation.

- Citizens have their financial accounts in banks.
- It holds the power to manage and check the financial account of the bank.
- It regulates the statement, fund transactions, and all the other details.
- It balances the accurate amount of currency supply and regulates it.

GDPR for Fintech

- The Indian parliament enacted India's first comprehensive data protection law on 11 August 2023, namely the Digital Personal Data Protection Act 2023 (the DPDPA). The DPDPA will replace India's existing patchwork of data protection rules[i] and is expected to trigger significant changes in how companies subject to Indian data protection laws process personal data. However, the law is not yet operational; no effective date has been established and there is no official timeline for the overall implementation. Stakeholders expect the law to come into force in a phased manner in the next six to 12 months

Cont…

- An Independent Agency Responsible For Enforcing The DPDPA — The Data Protection Board Of India (The Data Protection Board) — Is Established; And
- The Indian Government Has Framed The Subordinate Rules (Which Are Expected To Provide Interpretative Guidance On Procedural Steps And Enforcement Methodology).

Key Differences Between The DPDPA And The GDPR

- Scope
- Legal basis for processing of personal data
- Data principal rights
- Cross-border data transfers
- Data breach notification
- Significant data fiduciaries

Payment and settlement systems in India

Payment and settlement systems are used for financial transactions **in India.** Covered by the Payment and Settlement Systems Act of 2007 (PSS Act), legislated in December 2007, they are regulated by the Reserve Bank of India (RBI) and the Board for Regulation and Supervision of Payment and Settlement Systems

Cont…

India has multiple payments and settlement systems, both gross and net settlement systems. For gross settlement India has a real-time gross settlement (RTGS) system called by the same name. Its net settlement systems include the Electronic Clearing Services (ECS Credit), Electronic Clearing Services (ECS Debit), credit cards, debit cards, the National Electronic Fund Transfer (NEFT) system, Immediate Payment Service, and Unified Payments Interface (UPI).

Cont…

The RBI is encouraging alternative methods of payments to make the financial payment and settlement process in India more secure and efficient. It has made RTGS compulsory for high-valuetransactions.It introduced NEFT and NECS (National Electronic Clearing Services) to encourage individuals and businesses to switch from paper to electronic transactions.

sandboxing

- Regulatory sandboxes are a type of **innovation facilitator** commonly used by regulatory bodies that want to promote fintech innovation in their countries. Technically speaking, they are isolated testing environments where the market can trial their innovative products, services, and business models without incurring all the normal regulatory consequences of real life.

cont..

Which countries have adopted a regulatory sandbox?

Over70countries including Trinidad, Jordan and Zambia have launched regulatory sandboxes, and many more – such as Jamaica, Qatar, and Vietnam – are considering launching one.

Key benefits of a regulatory sandbox

- It offers **mutual education**: FinTechs learn about the regulatory environment while regulators learn about new financial technologies
- Regulators can **test modified/new regulatory approaches** to innovative services and business models
- It helps regulators **safeguard consumers** while **avoiding premature regulation** that could stifle innovation
- Launching a sandbox shows the market that you are open to and **supportive of fintech innovation**
- Sandboxes require **fewer human resources** than innovation hubs
- Some authorities are often resource-constrained and sandboxes are a **cost-efficient** option

Difference between a Sandbox and an Innovation hub

- A sandbox enables **technical experimentation** while an innovation hub is focused on **sharing knowledge** and clarifying doubts related to regulation.
- **An innovation hub is a portal** through which the industry can engage with, and **get guidance** from, regulators. Here they can raise questions and **seek clarifications** on certain aspects of the regulation, such as the licensing requirements. Innovation hubs require more human resources to function.
- **A regulatory sandbox is a technical environment** where companies can **test new technologies** and business models with real customers under regulatory supervision and with some regulatory leeway. It is a **test-bed** for new business models, products or services

Impact of Fintech on SMEs

- Small and medium-sized enterprises, or SMEs, play an essential role in the economy of any country. They account for a significant portion of employment and GDP in many countries. Despite their importance, SMEs have consistently faced significant challenges in accessing finance. Traditional lenders have been reluctant to credit small businesses due to perceived risks and high transaction costs. However, the emergence of fintech has created new opportunities for SMEs to access finance.

The Impact of Fintech on SMEs

- Increased Access to Finance
- Improved Efficiency
- Increased Competition
- Improved Customer Experience
- Enhanced Risk Management
- Greater Financial Inclusion

Challenges of Fintech for SMEs

- Cyber security
- Lack of Awareness
- Regulatory Challenges
- Digital Divide
- Data Privacy
- Lack of Personalized Service

Future Trends in Fintech for SMEs

- Block chain Technology
- Artificial Intelligence
- Open Banking
- Digital Currencies
- Embedded Finance

Women Empowerment

- Financial inclusion is considered a key enabler to reduce extreme poverty and boost the economic and productive capacity of an individual, leading to a better life. A rise in digital innovation has set in motion a metamorphosis that has the potential to further advance financial inclusion. A study by the members of Grameen Foundation India talked about the life-changing impact of financial inclusion and digital solutions on those who are excluded from the formal financing institutions.

Cont…

- The study found that while most villagers in Jhusi, a village on the outskirts of Allahabad, were struggling to make ends meet, only a few families, like Rampati and her husband, were able to support the education of their children after receiving loans from a microfinance organisation. The organisation ned across the state of Uttar Pradesh and served over 200,000 poor women. Access to microfinance enabled Rampati and her family to start small-scale goat farming. In the absence of banking facilities, Rampati was provided access to credit by digital solutions. This not only gave Rampati the opportunity to track her income and expenses, but also allowed her to avoid visiting the bank too often, stand in long queues and worry about carrying cash.

Entrepreneurs To Scale Their Businesses From Scratch.

- Government Schemes
- Public and Private Banks
- Microfinance Institutions (MFIs

Challenges and Areas for Improvement

- Unconscious gender bias
- Work-life balance:
- Limited access to networks:

Rang De helps rural women use India Stack to avail micro loans

- BENGALURU: Rang De, a not-for-profit P2P lending platform, is moving from its model of last mile cash disbursal to borrowers to a digital model that will leverage bank accounts created under the Pradhan Mantri Jan Dhan Yojana scheme and India Stack features such as Aadhar, eKYC and unified payment interface (UPI).
- In its shift to digitize lending to underserved communities, especially rural women, the Bengaluru-based Rang De is launching a project ‘Swabhimaan’ on International Women’s Day on Wednesday, which will provide financial literacy and also enable online loan application, credit scoring and cashless disbursal.
-

Cont…

Rang De’s method of disbursal over the last nine years has been mainly in cash through community- based NGOs and other organisations.As part of the project, Rang De will launch a digital kiosk at Yeshwantpura village in Kolar district, about 50 kilometers from Bengaluru.

“This self-service kiosk will empower these women to learn important financial concepts and apply for and receive loans at possibly single digit interest rates,” said CEO Ram NK, adding that they expect to set up 100 such centres , or Swabhimaan Kendras, in ten states this year. Cofounder Smita Ram said that the capital for the project is being raised from its existing backers such as Tata Trust as well as HNIs and through corporate CSR.

She added that the project will eventually expand to the use of UPI for disbursal and repayment as well as a partnership with a payment bank for creating accounts.

Cont…

The Swabhimaan initiative will also help the rural borrowers get credit scores based on their bank account passbooks and later on through their UPI transact

On the basis of our learning from nine years in the sector and the e-KYC capabilities offered by Aadhar, we have built a system that will allow a rural borrower to customize her loan and facilitate both electronic disbursal of funds and repayment using UPI.

Rang De has partnered with companies such as ThoughtWorks, TeqZo and Cognitive Clouds to design the machine learning designed as a Bioscope, and to shape the financial literacy training respectively.