

6. Steering Committee on Fintech Related Issues

Prelims: Economics- Banking, Insurance

Mains: GS-III- Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, Development and Employment.

Why in News?

- ▶▶ The Steering Committee on Fintech related issues constituted by the Ministry of Finance, Department of Economic Affairs, submitted its Final Report.

Fintech Companies:

- ▶▶ Financial technology (Fintech) is used to describe new tech that seeks to improve and automate the delivery and use of financial services.
- ▶▶ At its core, fintech is utilized to help companies, business owners and consumers better manage their financial operations, processes, and lives by utilizing specialized software and algorithms that are used on computers and, increasingly, smartphones.
- ▶▶ Fintech, the word, is a combination of “financial technology”.
- ▶▶ When fintech emerged in the 21st Century, the term was initially applied to the technology employed at the back-end systems of established financial institutions.
- ▶▶ Fintech now includes different sectors and industries such as education, retail banking, fundraising and non-profit, and investment management to name a few.

Recommendations:

- ▶▶ The report outlines the current landscape in the Fintech space globally and in India, studies the various issues relating to its development and makes recommendations focusing on how fintech can be leveraged to enhance financial inclusion of MSMEs.
- ▶▶ The Committee report also identifies application areas and use cases in Governance and financial services and suggests regulatory upgrades enabling fintech innovations.
- ▶▶ The Committee has recommended that the RBI may consider development of a cash-flow based financing for MSMEs.
- ▶▶ It has also recommended that Insurance companies and lending agencies to be encouraged to use drone and remote sensing technology for crop area, damage and location assessments to support risk reduction in insurance/lending business.

- ▶▶ The Committee has highlighted the positive impact of Fintech innovations on sectors such as Agriculture and MSMEs.
- ▶▶ And it has recommended NABARD to take immediate steps to create a credit registry for farmers with special thrust for use of fintech along with core banking solutions (CBS) by agri-financial institutions, included Cooperative societies.
- ▶▶ The Committee recommends a special drive for modernisation and standardisation of land records by setting up a dedicated National Digital Land Records Mission based on a common National Land Records Standards with involvement of State Land and Registration departments.
- ▶▶ The Committee also recommends a comprehensive legal framework for consumer protection be put in place early keeping in mind the rise of fintech and digital services.
- ▶▶ It has also recommended adoption of Regulation technology (or RegTech) by all financial sector regulators to develop standards and facilitate adoption by financial sector service providers to adopt use-cases making compliance with regulations easier, quicker and effective.
- ▶▶ Similarly, it has also recommended that financial sector regulators develop an institutional framework for specific use-cases of Supervisory technology (or SupTech), testing, deployment, monitoring and evaluation.

