

## Steering Committee on Fintech related issues submits its Final Report to Hon'ble Minister of Finance

The Steering Committee on Fintech related issues constituted by the Ministry of Finance, Department of Economic Affairs, headed by Secretary, Department of Economic Affairs, submitted its Final Report to Hon'ble Union Finance & Corporate Affairs Minister Smt Nirmala Sitharaman. The Committee was constituted in pursuance to the announcement made in Union Budget 2018-19.

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 with a view to making fintech related regulations more flexible and generate enhanced entrepreneurship. The Committee report also identifies application areas and use cases in Governance and financial services and suggests regulatory upgrades enabling fintech innovations.

### **Recommendation of the Committee:**

- RBI may consider development of a cash-flow based financing for MSMEs, development of an open-API (Application Program Interface) MSME stack based on TReDS (Trade Receivables Discounting System) data validated by GSTN and a standardised and trusted e-invoice infrastructure designed around TReDS-GSTN integration.
- 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.
- Given the rapid pace at which technology is being adopted primarily by private sector financial services, Department of Financial Services (DFS) to work with PSU banks to bring in more efficiency to their work and reduce fraud and security risks. Significant

opportunities can be explored to increase the levels of automation using Artificial Intelligence (AI), cognitive analytics & machine learning in their back-end processes

- 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.
- 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, with a view to making available land ownership data on an online basis to Financial Institutions.
- A comprehensive legal framework for consumer protection be put in place early keeping in mind the rise of fintech and digital services.
- 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.

Further, an Inter-Ministerial Steering Committee will be set up on fintech Applications in Department of Economic Affairs (DEA), Ministry of Finance, to continue to carry on the tasks of implementing this report, including exploring and suggesting the potential applications in government financial processes and applications, particularly accounting and asset management, welfare services, taxation, and handling citizen grievances. While the Inter-Regulatory Technical Group (IRTG) set up under the FSDC will be the forum of inter-regulatory coordination on Fintech.

Following the deliberations of the Committee it was considered necessary to have a nodal agency to coordinate developments across Ministries and Regulators in the area of Fintech. A dedicated team on Digital Economy & Fintech is being set up in the Investment Division, Department of Economic Affairs, Ministry of Finance for coordination on FinTech with relevant Ministries.

Please contact for any query related to this mail to Ms Kritika Bhasin, Research Officer at [kritika.bhasin@phdcci.in](mailto:kritika.bhasin@phdcci.in) with a cc to Dr S P Sharma, Chief Economist at

spsharma@phdcci.in, PHD Chamber of Commerce & Industry.

Regards,

Dr S P Sharma

Chief Economist

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016, India

Tel: +91 49545454

Fax: +91 11 26855450

Email: [spsharma@phdcci.in](mailto:spsharma@phdcci.in)

Website: [www.phdcci.in](http://www.phdcci.in)

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**PHD CHAMBER OF COMMERCE AND INDUSTRY**

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400  
Fax : +91-11-2685 5450 • E-mail : [phdcci@phdcci.in](mailto:phdcci@phdcci.in) • Website : [www.phdcci.in](http://www.phdcci.in), CIN: U74899DL1951GAP001947

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