

U.P.S.C.

प्रश्न संख्या
(Question No.)

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in this part)

PARSHWA MOORTHY

Fintech/ Financial technology apps are service providers that mediate funds/resources between borrower and lender through innovative software platforms (phone pe, bpay, zerodha, BHIM upi etc)

Mention also Dominant Players and Concerns like Market Competition, Data Privacy, Regulatory Challenges etc

7% of Indian fintech market is dominated by Phonepe and bpay (~40% and ~30%) where indigenous apps such as BHIM upi have a market share of less than 2%.

Implications due to foreign dominance

$$\frac{3}{15}$$

Positives

Negatives

Positives Implications :-

- ①. Large flow of FDI into Indian Financial Market (Nearby \$ 3.7 billion is received into Indian fintech apps).
- ②. Better technology : transfer of technology and user interfaces from developed

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markers into India (AI technology, QR code
etc.)

(3). Financial Inclusion: Helps in credit
penetration, insurance penetration and payment
systems development.

Negative implications :-

Good
Points
here

(1). crowd out: Out compete local startups
(Paytm, Oxygen wallet etc)

(2). BEPS: Base Erosion and profit shifting
Transfer of profit from domestic economy to
developed economies. (through Mauritius, etc)

(3). Data Sensitivity: Transfer of sensitive
financial data to foreign jurisdiction and
further exploitation by MNC firms

(4). Tax evasion: Fin tech firms
undertaking measures to evade and avoid
tax (Minimum Alternate Tax (MAT))

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Include also
Balancing Growth
with
Regulation
like
Level
playing
field,
Data
Localization etc.

(5) Fin tech and lending → Fin tech firms

(foreign owned) undertaking restricted activities
Such as Chit funds, Ponzi Schemes etc.

Measures for sustainable and inclusive fintech :-

(*) Financial support to Indian Fintech
startups (Tax benefits, Export incentives etc)

(*) Generate awareness among citizens
for use of indigenous fintech firms.

(*) Implement Data localisation through
Digital personal Data protection Act.

(*) Undertake measures to address
BEPS through Double Tax Avoidance Agree-
ments (DTAA)

(*) Include BHIM UPI in GEM (Govern-
ment e Market place) payment systems.

Being vocal for local will generate employment,
Safeguard data, and in addition will also help
India in becoming a \$5 trillion economy.