

Darshini, 28 Feb

Critically examine dominance of foreign owned fintech apps in India's digital payments landscape, highlighting its implications and potential policy measures for fostering a sustainable & inclusive fintech ecosystem.

Fintech apps are applications that allow users to access, manage & improve their finance through their mobile devices. Fintech apps can offer various benefits, such as convenience, security, efficiency, & personalization.

Examples of fintech apps - Monnify, Robinhood, Chime, Nubank, Mint, Revolut etc

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Importants -

- Expanding access & inclusion of financial service to large unbanked and underbanked population in India, especially in rural & remote areas.
- Enhancing efficiency & convenience of financial transactions, by reducing cost, time, friction involved in traditional methods.
- Boosting the innovation & growth of Indian economy, by creating new opportunities & markets for entrepreneurs, startups & consumers.

Write also some positive aspects of Foreign Fintech, like, Investment and Innovations, Enhanced User Experience, Global Reach and Integration etc.

Challenges -

- ① Fierce competition - local players often face competition from established global fintech giants with vast resources & experiences. These giants can leverage their brand recognition & technological prowess to attract customers & gain a competitive edge.
- ② Regulatory Hurdles - growing concerns around data privacy & security pose challenges for local players. They need to invest in robust data security measures & ensure compliance with data privacy regulation like the personal data protection to gain user trust.
- ③ Financial constraints - payments like UPI have revolutionised the Indian market, their minimal transaction fees can limit revenue generation for local players, especially those solely relying on this segment.
- ④ Technological Limitation - Rapid technological advancement in global fintech landscape can be challenging for local players to keep pace with. They need to continuously invest in research & development to stay competitive & offer innovation solutions.

Good Points here

Mention also Balancing Growth Regulations.

Key highlights of report -

① Emphasis on effective regulation -

- More feasible for regulatory bodies such as RBI & NPCI to control local apps, as compared with foreign apps, which operate in multiple jurisdiction.

② Dominance of foreign owned fintech companies -

Phone Pe (46.91%) > google pay (36.39%) > BHIM UPI (22.7%)

③ NPCI's volume cap regulation -

The purpose of cap to mitigate risk & safeguard the UPI ecosystem during its expansion NPCI emphasized the importance of enhancing consumer outreach by banks & non-banks to foster UPI growth & achieve market equilibrium.

④ Forward concerns -

concerns about platforms being exploited for money laundering, citing instances like Abu Dhabi-based app pupp | being administered by chinese investment scamsters.

Solution - way forward -

- Secure diverse users like payments, lending, wealth management, insurance
- collaboration with regulators can help streamline accountability and compliance processes & foster a conductive regulatory environment for innovation & growth
- Focus on education, transparent communication, & robust security measures to build trust.