

AIR Spotlight - Fintech Innovations for Financial Inclusion and Good Governance

AIR Spotlight is an insightful program featured daily on the All India Radio Newsonair. In this program, many eminent panellists discuss issues of importance which can be quite helpful in [IAS exam](#) preparation. In this article, a discussion on fintech innovations in India.

Participants:

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Context:

Prime Minister Narendra Modi inaugurated Infinity Forum in December 2021. The article will discuss different aspects of Fintech innovations in India.

Introduction:

- PM Modi has inaugurated a thought leadership forum on fintech named 'Infinity Forum'.
- This forum will bring together the leading minds of the world in policy, business and technology to discuss and come up with actionable insight into how technology and innovation can be leveraged by the fintech industry for inclusive growth and serving humanity at large.
- The event is being hosted by the [International Financial Services Centres Authority](#) under the aegis of the Government of India in collaboration with GIFT City and Bloomberg.
- Indonesia, South Africa and the U.K. are partner countries in the first edition of the Forum where over 70 countries are participating.
- The Prime Minister said that the Infinity Forum represents immense possibilities that fintech has in India. It also shows the huge potential for India's fintech to provide benefits to the entire world.

Infinity Forum:

- Infinity Forum is the International Financial Services Centres Authority (IFSCA)'s flagship financial technology event, uniting the world's leading minds in policy, business, and technology to explore and advance the biggest ideas in FinTech, and to develop those ideas into global solutions and opportunities.

Fintech Sector in India:

- The Fintech Sector is the 'lifeblood' of India. It means that the whole system of the country runs on financial technology.
- Starting from barter systems to metal coins to paper currency, India has come a long way.
- With one of the world's fastest-growing economies, India has undoubtedly emerged as one of the fastest-growing FinTech hotspots in recent years.
- Paperless lending, mobile banking, secure payment gateways, mobile wallets, and other concepts are already being adopted in India.

- Over the last two years, there has been a massive adoption of digital payment systems in India, making it a lot more convenient to go about with basic financial services.
- In recent years, India's payments infrastructure has seen substantial improvements, particularly with the introduction of new payment mechanisms and interfaces such as Immediate Payments Service (IMPS), Unified Payments Interface (UPI), [Bharat Interface for Money \(BHIM\)](#), and others. The government's "Make in India" and "Digital India" projects also played a significant role in accelerating the adoption of Fintech.

Concerns and Challenges:

Though the FinTech ecosystem has grown by leaps and bounds in the country, it has faced its share of hiccups and challenges. The major concern includes:

- **Data security and privacy risk:**
 - Data leaks, platform downtimes, and information theft has become quite rampant in the financial services space.
 - Data is the backbone of FinTech. Developing a strong mechanism to protect data is of paramount importance, and players will have to invest deeply in mechanisms to control this risk and comply with regulatory requirements towards data security.

Infinity Forum and Financial Inclusion:

- Financial inclusion is the driver of the Fintech Revolution. Fintech is resting on 4 pillars; income, investments, insurance, and institutional credit.
- When income grows, investment becomes possible. Insurance coverage enables greater risk-taking ability and investments. Institutional credit gives wings for expansion.
- When all these factors come together, we suddenly find so many more people participating in the financial sector.
- The large base becomes the perfect springboard for Fintech innovations.
- The fintech industry in India is innovating to enhance access to finance and the formal credit system for every person in the country.
- The PM said that it is time to convert these fintech initiatives into a fintech revolution – a revolution that helps to achieve the financial empowerment of every single citizen of the country.

India being an example of Fintech leader:

- India has set an example for all the emerging economies to become a global leader in Fintech.
- India believes in sharing experiences and expertise with the world and learning from them as well.
- India's Digital Public Infrastructure solutions can improve the lives of people around the world. Tools like [UPI](#) and RuPay provide an unparalleled opportunity for every country.

Way Forward:

- It is evident that India has developed a lot in terms of Fintech Technology in recent years.
- Despite being a vastly diversified and populated country, a huge portion of India remains underbanked, underserved and subject to a constantly changing regulatory environment.

- And for these very reasons, the nation's financial landscape and unsolved challenges are no easy hurdles to overcome. This is where Fintech enters the equation, with its ability and power to fundamentally alter and transform India's financial and banking services sector.
- FinTech companies' growing partnerships with traditional banking, insurance, and retail sectors, where they are actively catering to evolving customer needs, will further accelerate FinTech's expansion in India.
- All these factors indicate a positive shift towards FinTech and present a huge growth potential for the industry, with the country gearing towards massive adoption.

