

# 5 government policies that would boost the fintech space

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India, considered to be a great emerging financial hub, hosts one of the best financial minds coupled with a brigade of techies. If channelled properly with some major reforms by the Government and regulators, Indian financial domain could grow in leaps and bounds. Here are five recommendations for the Government for the 'Acche Din' in fintech space -

Reduction in Taxation- Ask anyone in the industry - investors, traders, brokers, intermediaries, fin-tech software companies; this would be the obvious first suggestion. While the Government cannot do away with all the taxes, a correct balance has to be formed and double taxation has to be avoided. Indian financial markets attract one of the highest possible costs when it comes to stock trading. These costs are of the order of 0.24% in India. Let's compare it with other countries.

Trading costs at other bourses vis-a-vis India's 0.24%

	Country	Costs as Percentage of Traded Value
1	USA	0.04
2	Europe	Buy Side:

		0.06
		Sell Side: 0.05
3	Singapore	0.03
4	Hong Kong	0.07
5	Australia	0.05
6	Japan	0.02
7	China	0.21

We jokingly call Securities Transaction Tax as the 'Robinhood Tax'. This, when paired with Stamp Duty, is like taxing a trader twice for the same transaction that is made. Taxing Dividend is another example. More costs mean lesser interest in traders. This could easily be correlated to declining business for financial intermediaries & companies in the fintech space.

Suggestion for Policy - Do away with double taxation and see the advent of new players in the fintech space.

Centralisation of KYC Process- ' Know Your Customer Process' is a ghost which haunts all the financial intermediaries. Imagine this. Someone wants to open a bank account, a 30 pager document has to be signed and identity proofs have to be submitted. Now, applying for a loan, insurance, mutual fund, demat account, trading account... it all involves a similar process! Why can't we have a single agency which does this for everyone? Why do we have to go through the same KYC process to apply for other financial products when we have already done it to open a bank account? Imagine all the costs incurred by all financial intermediaries for the same process, most of which involves lots of paperwork. If KYC norms are relaxed, the financial intermediaries could focus on what they are best at - financial innovation! The Aadhar team is slogging it out and in a playground as big as India, this is not so easy as it sounds. But, future plans have to be made clearer so that everyone has clarity of what's going to happen.

Suggestion for Policy - KYC could be entirely centralised or could be only a one time process.

Relaxation of Compliance Processes- The biggest barriers to running a financial company are the super tight compliance processes that have been mandated by the regulators. Every now and then, there are decisions which are meant to be precautionary but become roadblocks in smooth operations. In some cases, the compliance mandates from the regulators have wiped out entire possibilities of leveraging some new technologies. All the fintech companies and financial intermediaries have fallen prey to this at some point in time.

Suggestion for Policy - Relax compliance norms, make central compliance agencies to lessen compliance costs and hassles

Financial Education for Techies- Fintech space is going through a major high quality resource crunch. Very less engineers know about finance. Hence the work force becomes scarce and costlier. This is another barrier for growth of fintech companies. Basic financial education should be made an integral part of the curriculum for engineers. Going another step forward, basic software coding should be taught to finance graduates.

Suggestion for Policy - Encourage cross learning for high quality and affordable work force.

Lower Entry Costs- It costs a bomb to start-up a financial intermediary. Registration costs with regulators and other intermediaries are too high - of the order of crores! Something has to be done in this regard to promote new entrants.

Suggestion for Policy - Lower registration costs with regulators and other intermediaries. New players would bring better products.