

# BSE Riding On 'Fintech' To Propel Financial Inclusion



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## Introduction

Majority of people across the world lack access to basic financial services which has resulted in use of cash. In emerging markets, many households and small businesses have very limited access to formal financial services. Even in developed countries, many of them have only limited access to cost-effective financial

services for addressing their financial needs. In fact, over two billion people who are devoid of basic banking services in the world, representing around one third of all adults globally, lack access to basic financial services. People who have access to basic banking services do not have access to financial services such as low-cost payments systems, diversified investment and savings options, insurance services, or credit.

With this backdrop, the major trends in the global capital market revolve around the ramifications of new emerging technologies that aid financial inclusion. Fintech is fast emerging as harbinger to achieve 'financial inclusion'. Fintechs, provide financial service delivery with the use of innovative technology to either enable or compete with other financial institutions. They have experienced exponential growth in the capital market domain by capitalizing on the power of Internet and mobile to disintermediate and provide direct service delivery to individual customers, using technology. This targeting of the end customer is revolutionary and will shape the future dynamics of the financial services industry.

The penetration of mobile telephony and Internet use, availability of high-speed computing, low storage costs driven by cloud storage, innovations in machine learning and data analytics are some of the elements behind the latest Fintech revolution.

## Fintech Revolution - Opportunity for India

In India, over the last few years, Fintech has made a significant impact on financial services sector. While many associate Fintech in India as largely digital payments, it has evolved considerably with domains like digital wealth management, lending and robotics process automation picking up quite rapidly. Fintech is not only redefining the development of financial services products

but also creating alternate channels of delivery, and providing the opportunity to considerably expand the reach and scope of financial services.

The traditionally cash-driven Indian economy has responded well to the Fintech opportunity, essentially triggered by a surge in e-commerce, and smartphone penetration. The Fintech revolution is being encouraged by the various government initiatives such as Jan Dhan Yojana, Aadhaar and the emergence of Unified Payments Interface (UPI) that provide a good foundation for Fintech to connect to the last mile and boost financial inclusion in the country. In fact, over 32 crore bank accounts were opened under Jan Dhan Yojana and the number of Aadhar cards issued has surpassed 1.21 billion. Many Fintech companies are working in diverse ways to contribute toward achieving deeper financial inclusion. There are about 650 million mobile phone users in India, and over 300 million of them have a smartphone. This indicates that India is already a bigger smartphone market than the US and second only to China. Adoption rates of Fintech solutions have grown globally and even in India, especially among retail customers. A clear indicator is the growth trajectory of transaction using the UPI – transaction volume has grown multifold from 0.1 million in October 2016 to 246.37 million in June 2018.

## BSE's contribution to changing landscape of India's Equity Market

BSE believes that a stock exchange is a catalyst for nation building and not just a trading platform. BSE plays a vital role in actively promoting entrepreneurship. With a 143 year old history, BSE is one of the oldest public institutions in India that has helped create wealth to the tune of more than US\$ 2.3 trillion. Further, BSE has been instrumental in Corporates raising USD 400 billion through debt issues.

BSE also supports government's intent of creating long-term capital formation and employment generation in SMEs. With 250 companies across 15 states and 20 sectors, raising over INR 2,245 crores, the BSE SME Platform enjoys market leadership position with over 65% share in listings and amount raised. The total market cap of BSE SME stands at Rs. 20,835 crores.

The success of the Exchange may be attributable to the robust technology of the Exchange, which is the fastest in the world. It has also adopted Fintech extensively to create a framework, which uses latest technology for customer satisfaction.

## BSE leveraging on Fintech to achieve Financial Inclusion

Financial Inclusion is an important tool to empower citizens of a country. BSE is capitalizing on Fintech for

ease of investments in financial markets. This will help customers access financial products like mutual funds, insurance sector, etc. with ease. BSE has developed a Mutual Fund (MF) Distribution Platform, BSE StAR MF, a web-based transaction processing platform for purchase and redemption of mutual funds. This has democratized mutual fund distribution by providing all schemes of all - AMCs in a single window. A customer just needs to access a distributor and can purchase or redeem units. While the platform has helped customers, it has also facilitated distributors who were used to dealing in paper forms to rapidly grow business with the platform. All a distributor now requires is a PC and an Internet connection. BSE has taken away the pain of KYC of customers, electronic connectivity to each AMC or collection of funds. This has created huge efficiencies and has in some way contributed to the growth of mutual fund investment seen in the past few years.

In FY2018, BSE StAR MF has become the largest mutual fund distribution infrastructure with close to 80% market share in Exchanges. It contributes to more than 50% of share of new inflows in the mutual funds. In FY2018, over 1.75 Crore transactions amounting to over INR 1.1 lakh Crore were processed. From Financial Inclusion perspective, the platform predominantly caters to retail category with over 99% in terms of transactions and over 76% in terms of value of transactions. There are now more than 12,000 distributors connected to BSE and through them more than 200,000 partners who have supported BSE transformed the distribution in the industry.

As a logical next step, BSE is now venturing into insurance distribution to transform distribution. The Exchange has formed a joint venture - BSE Ebix Insurance Broking Services Ltd. with Nasdaq-listed Ebix Inc. to develop an insurance distribution network in India.

The platform will provide a single window framework for both life and general insurance, and also provide claim support. Thus, BSE wants to extensively use Fintech and its large distribution reach to ensure penetration of insurance products across the country and thereby contribute to financial inclusion in the country.

BSE has not only limited itself to platforms but in its endeavour to make markets safe, it has harnessed the benefits of technology with Big Data and artificial intelligence implementation for real time surveillance and fraud detection. Extending the scope of surveillance beyond the traditional means, BSE has effectively implemented the Social Media analytics to verify rumours and noise on various media including social media, vernacular news, using language to text tools. The Exchange has also implemented a state of art Next Generation Cyber Security Operations Center (CSOC), which is a role model for the country and various institutions both national and international.

### **Conclusion**

A financial revolution is taking place around the globe, backed by technology that will transform financial services. A consensus is fast emerging globally that technology-driven change is inevitable and capital markets are no exception. Fintech's focus is on creating new value propositions or improving existing ones by reducing costs through automation and simplification for the end user. Its broad application is cross sector and can transform service delivery be it for financial services or for Government benefits for achieving inclusive economic development.

BSE will continue to use latest technology to achieve customer satisfaction and leverage on Fintech to bring in greater financial inclusion in India.

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