



## News Analysis (25 Mar, 2019)

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### FinTech Conclave 2019

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**FinTech Conclave-2019** to be inaugurated by **Governor, Reserve Bank of India (RBI)** in New Delhi on **25<sup>th</sup> March, 2019**.

- The conclave, whose objective is to **shape India's continued ascendancy in Financial Technology (FinTech)**, build the narrative for future strategy and policy efforts, and to deliberate steps for comprehensive financial inclusion is **organised by the NITI Aayog**.
- The Reserve Bank of India has categorised these **financial technology (or fintech) companies as peer-to-peer (P2P) lenders**.

#### Peer-to-Peer (P2P) Lending

- Peer to Peer lending, also known as **P2P Lending**, is a financial innovation which **connects verified borrowers** seeking unsecured personal loans **with investors looking to earn higher returns** on their investments.
- P2P lending service providers have been in business in India since early 2014. However, it was in **September 2017**, RBI notified that these will be **registered as non-banking financial companies (NBFCs)** and subsequently came out with **guidelines for P2P lending**.

#### Background

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- India is one of the **fastest growing FinTech markets globally** and industry research has projected that USD 1 Trillion or 60% of retail and SME credit, will be digitally disbursed by 2029.
- The Indian FinTech ecosystem is the **third largest in the globe**, attracting nearly USD 6 billion in investments since 2014.
- The Indian FinTech industry is creating cutting edge intellectual property assets in advanced risk management and artificial intelligence that will propel India forward in

the global digital economy while simultaneously enabling paperless access to finance for every Indian.

## Fintech Sector

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- Fintech (Financial technology) describes an emerging financial services sector.
- Originally, the term referred to computer technology applied to the back office of banks or trading firms, and now the term has **expanded to include any technological innovation in the financial sector** including innovations in financial literacy and education, retail banking, investment and even crypto-currencies like bitcoin.
- **Potential benefits of FinTech**
  - **Efficiency** improvements,
  - **Risk reduction** and **greater financial inclusion**.
  - They can **address the unmet demand from Indian micro, small and medium enterprises (MSMEs)**, as well as consumers, for credit.
    - E.g.: According to the **India Fintech Report 2019**, the traditional ways of banking approve only 25-40% of the loan applications.
    - However, with access to more data for credit scoring such as transaction behaviour, app-based data, location information, social data and others, these new lending models can increase this threshold by additional 10–15%.
- With tech-enabled underwriting, FinTechs can provide **tailor-made loans** to various merchants as per their industry segments ranging from food and beverage, apparel, salon, petrol pumps, automobile dealers etc. with quick turnaround times to meet their urgent funding needs
- The rural population (which is new to credit) can benefit from this since the urban population is likely to leverage fintech lending services to avoid heavy documentation.
- **Challenges**
  - Difficulty of **regulating an evolving technology**,
  - Monitoring activity **outside the regulated sector**.
  - Since, there is no connect with customer as the application is completely processed online there is **higher risks of non-performing assets (NPAs)**.
- Few countries have taken a variety of regulatory and supervisory initiatives such as **regulatory sandboxes, innovation hubs, innovation incubators or accelerators, etc.**

## Regulatory Sandbox

- A regulatory sandbox is an **entity hosted by the regulators that enables temporary, limited-scale testing** of a new product that may involve some regulatory ambiguity.

- It allows businesses to **test innovative products, services, business models and delivery mechanisms** in the real market, with real consumers.
- Inside this **controlled environment**, regulators relax applicable laws or deploy new ones specific to the applications being tested and then observe how the software functions in the new framework.

## Way Forward

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- The MSME lending landscape is evolving and is set to be disrupted by digital lenders, backed by **continuous thrust by Government of India towards digitisation through demonetisation, Unified Payments Interface launch, and the introduction of GST.**
  - Moreover, it is estimated that by 2023, MSME digital lending has the **potential to increase between 10 and 15 fold creating immense opportunity for both traditional lenders and digital start-ups.** Therefore, the initiatives like FinTech conclave is in right direction which aims to evolve future strategy.
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## Olive Ridley Turtles

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Olive Ridley turtles have not yet arrived for mass nesting at Odisha's Rushikulya rookery and Devi river mouth.

- The reasons are not fully understood yet. Although it is held that climatic parameters, as well as beach conditions, decide mass nesting at a coast.
- However, Mass nesting has already occurred at the Gahirmatha coast (Bhitarkanika National Park) of the Odisha. Mass nesting of Olive Ridleys can occur up to any time till the end of April.

### Rushikulya River

- Rushikulya rookery coast in Ganjam district of Odisha.
- The Rushikulya River is one of the major rivers in the state of Odisha and covers entire catchment area in the districts of Kandhamal and Ganjam district of Odisha

### Devi River

Devi river is one of the principal distributaries of Mahanadhi. It flows through Jagatsinghpur district and Puri district across Odisha state in India and joins the Bay of Bengal.

## Olive Ridley

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- The **Olive ridley turtles are the smallest and most abundant of all sea turtles** found in the world, inhabiting warm waters of the Pacific, Atlantic and Indian oceans.
- They are best known for their unique mass nesting called **Arribada**, where thousands of females come together on the same beach to lay eggs.
- The species is listed as **Vulnerable in the IUCN Red List, Appendix 1 in CITES, and Schedule 1 in Wildlife Protection Act, 1972.**
- Olive-ridleys **face serious threats** across their migratory route, habitat and nesting beaches, due to human activities such as **unfriendly turtle fishing practices, development, and exploitation of nesting beaches for ports, and tourist centers.**

### **Bhitarkanika National Park**

- Bhitarkanika National Park is one of Odisha's finest biodiversity hotspots and is famous for its **mangroves, migratory birds, turtles, estuarine crocodiles, and countless creeks.**
- The wetland is represented by 3 Protected Areas, **the Bhitarkanika National Park, the Bhitarkanika Wildlife Sanctuary and the Gahirmatha Marine Sanctuary.**
- Bhitarkanika is located in the estuary of **Brahmani, Baitarani, Dhamra, and Mahanadi river systems.**
- It is said to house 70% of the country's estuarine or saltwater crocodiles, conservation of which was started way back in 1975.

## **El Nino Forecast For 2019**

US weather agencies have forecasted that there is a **60% chance of El Nino this summer season.**

The forecast if turn out to be true could negatively affect India's Monsoon season.

### **El Nino**

- **El Nino refers to the unusual warming of the central and east-central equatorial Pacific Ocean which affects global weather.** The warmer waters of the Pacific Ocean cause the winds in various regions to reverse, like the trade winds that come towards India.
- This **change of wind direction leads to warmer winters and summers and a decrease in rainfall during the monsoon.** Most of the time, **it also leads to drought.**
- **There is also an opposite of an El Niño, called La Niña means The Little Girl in Spanish.** This refers to times when waters of the tropical eastern Pacific are colder than normal and trade winds blow more strongly than usual.
- Collectively, El Niño and La Niña are parts of an oscillation in the ocean-atmosphere

system called the El Niño-Southern Oscillation, or ENSO cycle.

## Effects of El Nino

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- El Nino affects global weather. It **favors eastern Pacific hurricanes and tropical storms.**
  - Recorded **unusual rainfall in Peru, Chile, and Ecuador are linked to the climate pattern.**
  - El Nino reduces the upwelling of cold water, decreasing the uplift of nutrients from the bottom of the ocean. This affects marine life and sea birds. The fishing industry is also affected.
  - **Drought caused by El Nino can be widespread, affecting southern Africa, India, Southeast Asia, Australia, and the Pacific Islands.** Countries dependent on agriculture are affected.
  - WHO report on the health consequences of **El Nino forecasts a rise in vector-borne diseases**, including those spread by mosquitoes, in Central and South America. Cycles of malaria in India are also linked to El Nino.
  - **Over India, the El Nino has usually been the harbinger of drought and the La Nina of rain.**
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## Important Facts For Prelims (25th March 2019)

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### Gilt Funds

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- **Gilt funds are a type of investment fund that invests in gilt securities (fixed-interest generating securities of the central and state governments).**
- Gilts originated in Britain where gilt funds are primarily utilized. **However, some Commonwealth nations, such as South Africa and India also use this term.**
- When the Government of India requires funds (or loans), it approaches the Reserve Bank of India (RBI).
  - So, the **RBI lends money to the government after taking it from other entities** like insurance companies and banks.
  - In return for the loan, the **RBI issues government securities having a specific tenure**, which the fund manager of gilt fund subscribers. Upon maturity, this gilt fund returns the government securities and receives money in return.
  - Since these are issued by the Governments, **they are high-grade securities (government rarely fails financially and there is no risk for losing money)**, consequently carrying low yields. Because of higher credit ratings (AA), these offer a very low rate, say 4%.
  - Similarly, **well-known companies with high credit ratings (AA)** also issue bonds but pay low rates.

- **However, these not completely risk-free and are vulnerable to change in interest rates.**

In fact, for long-term investing, they are the riskiest of all other debt funds available in the market due to their sensitivity to change in interest rates.

## Virtual SIM Card

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Investigating agencies have found that **virtual SIM cards (Subscriber Identification Module Cards)** were used by the Jaish-e-Muhammad's terrorists for communications during the Pulwama attack.

### What is a Virtual SIM?

- **In this technology, the computer generates a telephone number and the user downloads an application of the service provider on their smartphone.**
  - It is a **cloud-based number that can be used from any device via an app.**
  - All voice calls and SMS text messages directed from/to this virtual phone number are transferred to the Virtual SIM service provider's network over available data/Wi-Fi connection.
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