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## Dimensions and Role of financial Sectors Regulators in India

Financial sector is the backbone of any economy and it plays a crucial role in the mobilization and allocation of resources. Financial system of any country consists of financial markets, financial inter-mediation and financial instruments or financial products. An efficient financial system has been regarded as a necessary pre condition for higher growth. Propelled by this ruling paradigm, several developing countries undertook programs for reforming their financial system. Indian financial system's regulatory architecture one immediately relevant characteristic of the Indian financial system's regulatory architecture is its complexity - both in terms of the sheer number of regulatory, quasi-regulatory, non-regulatory-but-still regulating bodies, and also because of their overlapping, ambiguously defined respective spheres of concern and influence.

Regulatory agencies - RBI, SEBI, IRDA, PFRDA, FMC .there are product-wise demarcations of regulatory space for various regulators

• Quasi regulatory agencies - There are other government bodies which perform quasi-regulatory functions NABARD, NHB, SIDBI

• Central Government Ministries - Ministry of Finance through its representatives on the Boards of SEBI, IRDA and RBI

• State Government - Through the registrar of cooperatives, the state governments regulate the cooperative banking institutions in their respective states

• Special statutes - for certain financial intermediaries: Some key financial services intermediaries like SBI and its Associate Banks, Public Sector Banks, LIC and GIC are governed by their own statutes. **WIRC BULLETIN JAN 2018**

## Implications of the present Financial sector Regulatory Architecture

• **Regulatory arbitrage** - because there are spaces in the financial system that are either regulated by multiple entities with little clarity on division of responsibilities, or are regulated by agencies that do not have the competence to regulate them effectively

• **Conflicts of interest for certain regulators.** RBI is not just the banking regulator; it is also the investment banker for the government and the monetary policymaker. The role of investment banker to the government may conflict with the role of banking regulator because banks buy a bulk of government securities

• **Difficult to create financial intermediaries** that offer a range of financial services and benefit from economies of scope. An example is the regulation of financial services distribution, which has significant inter-regulator differences. So, it is almost impossible to create distribution agencies or front-end intermediaries that can offer a complete range of financial services to the clients.

• **Problems of coordination among agencies** obviate potential situations where common grounds can be found on common issues affecting the regulated companies from different sectors. This often vitiates the level playing ground, and also creates a situation of legislative instability.

• **Gaps for which no regulator is in charge** - such as the diverse kinds of ponzi schemes that periodically surface in India, which are not regulated by any of the existing agencies

• **Regulatory Over-reach**: Current Regulatory structure empowers the regulators to micro-manage the regulated entities, and forces all corporate actions to be compliance oriented rather than concentrate over business matters. Overly regulated players are unable to effectively address issues related to consumer and investor interests. micro-management of the regulated is counter-productive as most resources end up being dedicated to compliance rather than business innovation, therefore sideline the interests of consumers and investors

• **Inhibits innovation** in products due to inability of the regulator to comprehend the complex financial instruments per se, a system of need for approval and lack of capacity for timely approval • Compartmentalization of product/service offerings is fallout of the inability of the current regulatory system to address overlapping/common 13 issues that influence and concern multiple sectors together.

• **Inadequate infrastructure** and mechanism for dispute resolution and for coping with institutional failures.

• **Insufficient monitoring / regulatory** mechanisms for ensuring systemic stability of financial system and for protection of consumer and investor rights

• **Obsolete financial laws** - enacted when the country was a command and control economy. They are guided by the objective of containing and controlling financial markets and banning activity, rather than regulating and supervising markets and achieving sophisticated interventions through which market failures are addressed.

## DO'S AND DON'TS OF TRANSACTING ONLINE

The spread of online transactions has brought along unscrupulous entities to defraud people on the web. At times such attempts result into monetary loss. Here are some precautions one should practice while transacting online: -

1. **Use updated firewall,**
   antivirus and antispyware softwares on your computer.
2. **Encrypt the wireless** connections used at home
3. **Create strong -** passwords which are tough to guess. Usually people use their date of birth, surname, place of residence etc. in passwords. Try to avoid those. Experts say passwords should have upper and lower case letters, numbers, special characters etc
4. **Have different passwords** for different types of online transactions. This way even if one of the passwords is compromised, others would probably be safe.
5. **Protect your passwords** and online PINs and never share them with others over in phone, SMS, social media platforms etc.
6. **While transacting online,** avoid clicking on a link to go to your desired website. Instead find the web address and go to the page. Often phising attempts are made to steal sensitive information through links in emails, SMSes, pop-up ads etc.
7. **Never use a shared** computer for any type of financial transactions. Always avoid a cyber cafe, a public wifi system etc. Always prefer to financial transactions from your home computer. **The Economic Times**

## Digital transactions cross 1-billion mark in December

BENGALURU: Overall digital transactions for the first time has breached the 1-billion mark in a month, having clocked 1.06 billion in December, according to data released by RBI. It jumped by around 6.5% against November transaction numbers, which was 998 million.

The growth has been driven by strong show from all forms of payments across Unified Payments (UPI), IMPS, cards as well as wallets. The spectacular show of UPI has played a vital role having clocked almost a 40% jump in transaction volume month-on month. UPI clocked 145.5 million transactions against 104.8 million done in November.

Further jump in the volume was also seen for NPCI managed Immediate Payment Service or IMPS which grew almost 10% to reach 98 million in December against 89.5 million in November. While smartphone-based transactions showed strong growth, traditional card payments also grew at a respectable 8% month-on-month. Debit and credit card payments clocked 264 million transactions in December against 244.6 million in the previous month.

A closer look at the numbers reveals that UPI has shown the strongest growth in terms of volume through 2017 albeit a low starting point. The payment mode which got a huge boost post demonetisation has been riding a spectacular growth wave assisted by entities like Paytm and Google Tez joining the bandwagon along with players like PhonePe and government promoted BHIM (Bharat Interface for Money). **The Economic Times**