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B.Com Honours | Semester III | Calicut University

FINTECH

Course Code: COM3MN206 • Module 2 Notes

Module II: FinTech Trends & Verticals

FinTech spans distinct operational verticals including digital banking, automated wealth management, peer-to-peer credit disintermediation, insur-tech, and decentralized ledgers.

Unit 5: Digital Banking & Robo-Advising – Algorithmic Portfolio Management

Robo-Advisors: Automated digital platforms providing algorithm-driven, automated wealth management services with minimal human intervention. Uses Modern Portfolio Theory (MPT) to continuously rebalance equity/debt assets based on investor risk tolerance.

Unit 6: Peer-to-Peer (P2P) Lending & Wealth-Tech Platforms

1. P2P Lending (NBFC-P2P under RBI): Connects individual borrowers directly with lenders via online platforms (e.g., Faircent), bypassing traditional bank credit spreads.
2. P2P Risk-Adjusted Net Return Formula:

> **Net Return = Gross Interest Rate Received - Default Reserve Write-off Rate - Platform Fee**

Unit 7: Insur-Tech & Payment-Tech Verticals

1. Insur-Tech: Leverages IoT telematics sensors (vehicle tracking) and wearable devices to offer dynamic, pay-as-you-drive usage-based insurance pricing.
2. Payment-Tech: Immediate electronic clearing frameworks eliminating paper instruments.

Unit 8: Blockchain & Cryptocurrencies – Decentralized Finance (DeFi)

Pioneers immutable, permissionless financial contracts where transactions are verified by distributed network nodes without centralized clearing houses.

Practical Problem 1 (P2P Lending Risk-Adjusted Net Yield Computation): An investor allocates Rs. 5,00,000 across a diversified pool of 100 P2P micro-loans. Gross interest rate earned across the portfolio = 14% p.a. Annual platform processing fee = 1% of total portfolio value. Actual default loss rate experienced on non-performing loans = 2.5% of total portfolio. Calculate the investor's Net Risk-Adjusted Return percentage and absolute net profit earned in rupees.

Step-by-Step Solved Computation:

- **1. Gross Interest Income:** (5,00,000 imes 14% = ext{Rs. 70,000}).
- **2. Platform Processing Fee (1%):** (5,00,000 imes 1% = ext{Rs. 5,000}).
- **3. Loan Default Loss (2.5%):** (5,00,000 imes 2.5% = ext{Rs. 12,500}).
- **4. Net Profit Earned (in Rupees):**

  > **Net Profit = Gross Interest (70,000) - Fee (5,000) - Default Loss (12,500) = Rs. 52,500**

- **5. Net Risk-Adjusted Return (%):**

  > **Net Yield = 14% - 1.0% - 2.5% = 10.5% p.a.**

  Conclusion: Net yield of 10.5% outperforms traditional bank fixed deposits (6.5%) while factoring in credit default risks!