Government regulation of the economy

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FINTECH INNOVATIONS IN PUBLIC INVESTMENT POLICY

The objective of the state investment policy is to create a favorable investment climate for attracting domestic and foreign investments, ensuring the protection of investors' rights, clearly defining the conditions for taxation of investment income and withdrawal of capital, etc. Investment activity is the basis of economic development, GDP growth and income of all market participants.

FinTech innovations in government investment policy can be viewed from at least two perspectives. First, as a direction of investment of funds and one of types of business activity. Second, as an instrument of investment policy for the development of other sectors and industries.

Describing the first perspective, it should be noted that investments in FinTech startups are usually funded by venture capital, because like any innovation, they are quite risky, although if successful, they can generate significant returns. From the point of view of government, the development of FinTech infrastructure is important for ensuring the efficiency of the financial sector and the competitiveness of the country's economy.

An analysis of global trends shows an annual increase in investment in FinTech startups. According to KPMG, global investments in FinTech startups for 2018 amounted to $120 billion, more than double the figure of 2017 – $51 billion [2].

Banks and other financial intermediaries have a strong interest in investing in FinTech at this stage. Developing specialized units in their structures or in cooperation with FinTech sector, they try to keep a competitive position in the market and adapt to new demands and expectations of consumers of financial services [1].

The development of FinTech requires a clear definition of its nature and types, the establishment of rules for the functioning of FinTech companies, licensing or other requirements, guarantees for consumer rights protection and more. In other words, the first area of state intervention in the FinTech segment is limited mainly to the formation of regulatory support and the establishment of 'rules of the game' for market participants.

On the other hand, FinTech innovations themselves can be used to improve the investment infrastructure in the country. This is a specific kind of FinTech – crowdfunding and peer-to-peer online platforms. In practice, peer-to-peer platforms can be used mainly for short-term loans, such as financing the working capital of enterprises or small investments; crowdfunding platforms provide financial resources for various investment and innovation projects. Depending on the rewards that an investor can receive from investing in a project, there are equity-based crowdfunding, reward-based crowdfunding, donation-based crowdfunding and profit-sharing crowdfunding platforms [4].

An example of the active use of crowdfunding and peer-to-peer financing in a stimulating investment policy is the UK. In the UK, unlike in other countries in the world, there is substantial financial support for the development of alternative financing. The British Business Bank and some regional and local authorities are investing through online platforms (typically using equity-based crowdfunding) to promote SME lending. Moreover, alternative platforms are involved in financing small and medium-sized businesses with high-credit-rated bank loans through bilateral referral partnerships with commercial banks, such as Santander, RBS and Metro Bank [3].

It should be noted that the legal basis for the operation of online platforms is also defined in the UK. For example, since April 1, 2014, the Financial Conduct Authority (FCA) has introduced a regulatory framework based on information disclosure for peer-to-peer platforms to protect the users of such platforms. Simultaneously with the requirements that ensure honesty, transparency and fraud prevention, minimum capital requirements and provisions on clients' money are implemented. Companies operating a peer-to-peer platform must have a problem-solving plan, which means continuing work to repay loans to pay off investor liabilities if the platform is terminated [4].

Thus, FinTech innovations can be an integral part of the state's investment policy not only as an object of regulation, but also as a tool to stimulate investment development in the country, in particular small and medium-sized businesses. This requires the formation of a regulatory framework and the development of public-private partnerships on business finance programs involving online platforms.

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