Volume 04

September 2024

FUTURE OF FINANCE

FINANCE OUTLOOK

DEPARTMENT OF FINANCE
FACULTY OF COMMERCE AND MANAGEMENT STUDIES
UNIVERSITY OF KELANIYA

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FUTURE OF FINANCE

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DEPARTMENT OF FINANCE
FACULTY OF COMMERCE AND MANAGEMENT STUDIES
UNIVERSITY OF KELANIYA

MESSAGE FROM THE HEAD OF THE DEPARTMENT

It is with great pleasure and pride that I extend my warmest congratulations on the release of the fourth volume of our business magazine, "Finance Outlook." I am delighted to see how this publication has grown over the years into a focal point of knowledge and insight for our community.

"Finance Outlook" stands as a testament to our department's commitment to fostering academic excellence and industry relevance. Through its pages, we aim to provide a platform where industry trends and academic perspectives converge.

This volume, dedicated to exploring the future of finance, promises to be especially enlightening, offering insights into the dynamic landscape that lies ahead. I would like to extend my heartfelt gratitude to the editorial team, contributors, and everyone involved in compiling the "Finance Outlook." Your dedication and hard work have made this publication a milestone in our department's academic endeavors.

To our students, I encourage you to explore the pages of "Finance Outlook" and the wealth of knowledge it offers to broaden your understanding of the complexities of finance. As we continue to uphold our reputation as one of the most dynamic and progressive departments in the university system, let us celebrate the launch of this new volume with enthusiasm. May "Finance Outlook" continue to inspire, educate, and stimulate discussions that shape the future of finance.

Dr.Ruwani Fernando
Head of Department of Finance
Faculty of Commerce and Management Studies
University of Kelaniya

MESSAGE FROM THE EDITOR IN CHIEF

It is an honor and a privilege for me to bring this message to you as the Editor in Chief of the fourth volume of the “Finance Outlook” Magazine. This edition marks a significant milestone in our journey to provide a platform for insightful dialogue on the evolving landscape of finance.

This volume of "Finance Outlook" focuses on the “Future of Finance”, exploring emerging trends and offering innovative perspectives that are crucial for navigating the complexities of today's global economy. The thought-provoking articles within these pages reflect our commitment to excellence in finance education and industry collaboration.

I would like to express my sincere appreciation to all the contributors who have played a vital role in making this issue possible. To the distinguished personalities from the corporate sector whose expertise and perspectives grace our pages, thank you for sharing your valuable insights. Your contributions enrich our magazine and provide our readers with a greater understanding of current business trends and challenges. I would also like to acknowledge the unwavering support of our panel of lecturers, whose contributions and guidance have been instrumental in shaping the content of "Finance Outlook." Your dedication to fostering knowledge is truly commendable, and it is through your efforts that our magazine continues to thrive.

I would also like to acknowledge the immense effort of our student authors, whose enthusiasm and dedication have brought fresh perspectives and innovative ideas to our publication. Furthermore, I extend my gratitude to the editorial team, whose meticulous attention to detail and tireless efforts have ensured the high quality of content in this volume. As we look ahead, I am confident that "Finance Outlook" will continue to serve as a great platform of knowledge and a catalyst for dialogue between academia and industry.

Ms.Subhanie Tennekoon
Lecturer (Probationary)
Department of Finance
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University of Kelaniya

MESSAGE FROM FINANCE STUDENTS' ASSOCIATION

It is with great pride and enthusiasm that we, the Finance Students' Association, present to you the fourth volume of the "Finance Outlook Magazine". This year's theme, "The Future of Finance" reflects the rapidly evolving landscape of the finance industry and the limitless potential it holds for innovation, growth, and transformation.
The Department of Finance at University of Kelaniya stands at the crossroads of tradition and innovation, ready to embrace the future with open arms.

The official student body of the department, the Finance Students' Association, is dedicated to fostering a spirit of curiosity, critical thinking, and collaboration among our members. We believe that by staying informed and engaged, we can contribute meaningfully to the financial sector's progress. Our most significant initiative is "Investment Week", organized for the 11th consecutive year, which is a cornerstone event that encapsulates our commitment to knowledge sharing and professional development.

This year, we are excited to announce several new features within Investment Week. For the first time, the Investment Trade Show and Shilpa Seminar Series will be held off-university, providing broader exposure and engagement with the wider community. Additionally, we have expanded the scope of our summit to include insurance, renaming it the Banking and Insurance Summit.
A highlight of Investment Week is marked by the launch of the "Finance Outlook Magazine". This publication is a testament to the hard work and dedication of our members, featuring articles penned by our undergraduates with the guidance and insights provided by esteemed lecturers and industry experts. Each piece offers a unique perspective on the theme "The Future of Finance," providing readers with a wealth of knowledge and a glimpse into what lies ahead for the finance industry.

As we navigate the complexities of the financial world, we invite you to join us on this exciting journey into the future of finance. We look forward to releasing future volumes with relevant themes, continuing to provide valuable perspectives on the ever-evolving financial landscape.

UNIVERSITY OF KELANIYA

A FUSION OF TRADITION AND INNOVATION

Welcome to the University of Kelaniya, an esteemed institution merging historic traditions with modern innovation. Established from the roots of the Vidyalankara Pirivena, a revered centre for Buddhist learning founded in 1875, the university has evolved into one of Sri Lanka's foremost institutions of higher education. This sacred hub initially served as a critical platform for traditional learning and played a significant role in the national resurgence, symbolizsing a fusion of ancient wisdom and contemporary academia.

The transformative period of the 1940s and 1950s saw the Vidyalankara Pirivena transition into Vidyalankara University in 1959. It further evolved into the Vidyalankara Campus of the University of Ceylon in 1972 and finally emerged as the University of Kelaniya in 1978. Situated just outside Colombo, on the north bank of the Kelani River, it is renowned as one of Sri Lanka's greenest universities. The university comprises seven faculties: Commerce and Management Studies, Computing and Technology, Humanities, Medicine, Science, Social Sciences, and Graduate Studies. It includes 56 departments, three affiliated institutions, and numerous non-degrees granting units and centres, positioning itself as a hub of intellectual curiosity and creativity.

The University of Kelaniya has a vibrant student population with over 13,000 undergraduate students and 1,984 graduate students enrolling each year. This population represents both foreign and local students from multi-ethnic backgrounds, creating a rich cultural mosaic within the campus. Annually, the university sees 1,587 undergraduate students and 984 graduate students completing their studies successfully, ready to contribute to various fields globally.

The University of Kelaniya provides comprehensive academic programs catering to both undergraduate and graduate students. The university offers postgraduate degrees, general degrees, diplomas, and certificate courses across a wide variety of subject fields. This diversity ensures that students can find programs that suit their academic interests and career aspirations.

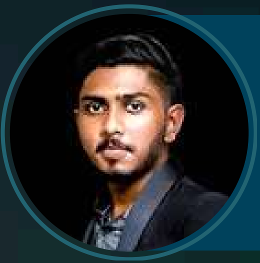
Research is a cornerstone of the University of Kelaniya, with numerous centres and institutes dedicated to expanding knowledge in diverse areas. Its researchers engage in pioneering projects addressing local and global challenges, contributing significantly to academic knowledge and societal development. Recognizing the value of global perspectives, the university has established partnerships with leading institutions worldwide, facilitating exchanges, joint research projects, and a collective commitment to academic excellence.

Beyond academics, the University of Kelaniya fosters creativity and ambition. Student clubs under the Career Guidance Unit enhance public speaking, leadership, and social skills. Various talent-enhancing clubs, a robust Department of Physical Education, and a Cultural Centre offering diverse arts activities enrich student life. Student counselling and the “Kalana Mithuru Sewana” unit provide essential academic and mental support, making the university a hub for holistic growth.

In 2024, the University of Kelaniya reached a significant milestone by ranking among the top 1500+ universities in the Times Higher Education World University Rankings. This accolade underscores its academic achievements and global influence, reaffirming its legacy and promising a future of academic brilliance.

The university’s commitment to sustainability and community engagement is evident through numerous initiatives aimed at environmental conservation and social responsibility. This dedication ensures that its students become well-educated and socially conscious citizens.

In conclusion, the University of Kelaniya, with its rich history, academic prowess, and forward-thinking approach, continues to be a beacon of knowledge and innovation in Sri Lanka and beyond. It symbolizes the country's dedication to nurturing intellectual growth, fostering research, and contributing positively to society. Whether you are a prospective student, researcher, or visitor, the University of Kelaniya offers a stimulating environment where tradition meets modernity, and learning is a lifelong journey.



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Ms. Muditha Manathunga
Assistant Lecturer
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FACULTY OF
COMMERCE AND MANAGEMENT STUDIES

"25 Years of Shaping Excellence:
A Legacy of Innovation in Commerce and
Management Education"

"CULTIVATING VISIONARIES, INSPIRING CHANGE GLOBALLY AT FCMS."

Step into the realm of exceptional education at the Faculty of Commerce & Management Studies (FCMS), University of Kelaniya, where brilliance meets opportunity. Established in 1976 as the Department of Commerce, FCMS has rapidly evolved into a cornerstone of academic excellence and innovation in Sri Lanka. Since achieving faculty status in 1995, FCMS has remained dedicated to nurturing a generation of leaders equipped with the skills and knowledge to drive both local and international sectors. With over 8,000 graduates making impactful strides in managerial roles and entrepreneurship, FCMS continues to set benchmarks in graduate output and program diversity.

Amidst Sri Lanka's dynamic economic landscape, FCMS stands resilient, adapting swiftly to embrace an e-learning environment and cultivate a robust research culture. This proactive approach not only ensures relevance but also equips students with the agility to thrive in an ever-evolving global economy. The faculty's commitment to excellence is underscored by its expanded offerings in commerce, financial management, accountancy, human resource management, marketing management, and finance. With new master's and extended undergraduate programs, FCMS continues to broaden horizons, preparing sharp and inventive professionals capable of elevating communities and shaping the future.
Beyond academic, FCMS serves as a vibrant ecosystem where young researchers, business leaders, and entrepreneurs converge. Its comprehensive array of programs, including a prestigious doctor of business administration and various specialized diplomas, attracts a diverse cohort of over 1,000 postgraduate students annually.

This thriving community not only fosters academic growth but also ensures the long-term sustainability of FCMS as a leader in commerce and management education. Together, FCMS remains steadfast in its mission to innovate, inspire, and lead, setting the stage for a future where education transforms lives and drives societal progress.

Jayanadee Silva
Second Year Undergraduate
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Ms. Hiruni Koralegedara
Assistant Lecturer
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DEPARTMENT OF

FINANCE

Finance Education

The Department of Finance (DFIN) of the University of Kelaniya stands as a cornerstone of academic excellence within the national university system, specializing in comprehensive education and research in the field of finance. Established to cater to the increasing demand for skilled finance professionals, the department offers four degree programs, namely Bachelor of Business Management Honours in Finance, Bachelor of Business Management Honours in Banking, Bachelor of Business Management Honours in Insurance and Bachelor of Business Management Honours in Financial Engineering. These programs are meticulously designed to equip students with the requisite knowledge and skills vital for thriving in the dynamic finance sector.

Milestones

The journey of the Department of Finance, University of Kelaniya began in 2004 with the introduction of the Bachelor of Business Management (Special) Degree in Finance under the Department of Accountancy. In 2008, the Finance Studies Unit was established, which later evolved into a fully-fledged department by 2011, officially becoming the Department of Finance. This progress continued with a significant milestone in 2013 when the Bachelor of Business Management (Special) Degree in Finance was recognised under the CFA Institute University Affiliation Program, acknowledging alignment with more than 70% of the CFA Program Candidate Body of Knowledge (CBOK).

In 2016, the department expanded its academic offerings by introducing three new degree programs; Bachelor of Business Management Honours in Financial Engineering, Bachelor of Business Management Honours in Banking, and Bachelor of Business Management Honours in Insurance.

The department’s commitment to quality was further evidenced in 2018 when it received an "A" grade for the Program Review through Self-Evaluation Report (SER), which assessed the department’s academic programs, resources, and institutional aspects to ensure they met the Standards of the Quality Assurance Council of the University Grants Commission (UGC) of Sri Lanka. In 2018, the department commenced the Bachelor of Business Management Honours in Financial Engineering degree program.

In 2019, the department received CFA (USA) Accreditation for the B.B.Mgt Honours in Financial Engineering Degree program and revised the syllabus of all degree programs to ensure they adhered to the higher standards. With the onset of the COVID-19 pandemic in 2020, the department adapted to the evolving educational landscape by adopting online learning methods.

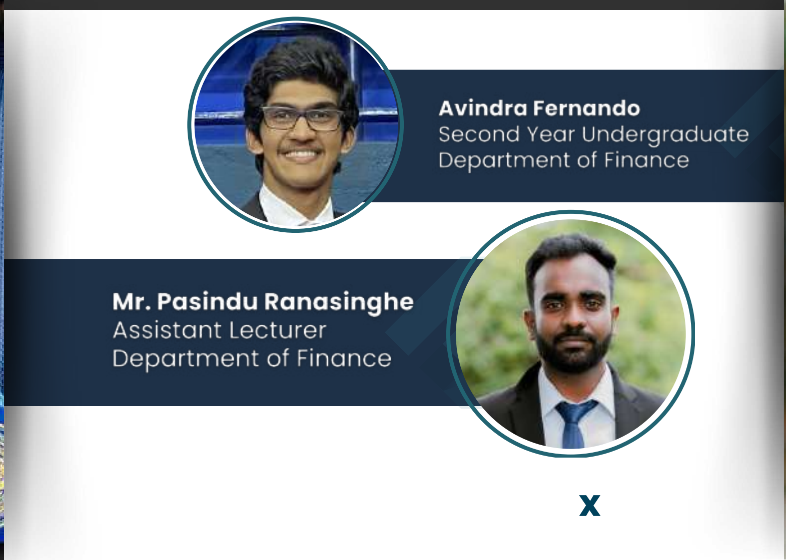
In 2021, the department launched the South Asian Journal of Finance (SAJF), marking another significant achievement. The most recent milestone in 2022 includes receiving the ISO 9001:2015 Quality Certification from the Sri Lankan Standards Institution (SLSI) and launching the Centre for Financial Literacy, further underscoring the department's dedication to excellence and continuous improvement.

Partnerships and Collaborations

In a remarkable demonstration of collaborative spirit, the Department of Finance at the University of Kelaniya has significantly enhanced its standing through strategic partnerships. Key initiatives include Memorandums of Understanding (MOUs) with the Securities & Exchange Commission of Sri Lanka, Colombo Stock Exchange, CFA Society Sri Lanka, The Institute of Chartered Accountants of Sri Lanka, Institute of Bankers of Sri Lanka, Softlogic Life PLC, Janashakthi Insurance PLC, Acuity Knowledge Partners and KPMG Sri Lanka paving the way for the creation of Gold Medal Awards, recognizing the best performers and most outstanding undergraduates, and provide significant financial support for scholarships and the annual Investment Week event.

Additionally, partnerships with Sandbox Consultancy Services Ltd., LOLC General Insurance PLC, NDB Capital Holdings aim to develop students' soft skills through ongoing programs like workshops, seminars and internships. These partnerships aim to bridge the gap between academia and industry, enriching the academic landscape.

Furthermore, the Department of Finance of University of Kelaniya has successfully organized numerous events and projects such as “Shilpa”, “Agora” and “Pinnacle” along with the signature event "Investment Week", which features a trade show and an Inter-University Finance Quiz Competition, with the strong support of its dedicated panel of lecturers. Distinguished in the realm of finance education, the department has embraced digital transformation and formed impactful partnerships, thereby continuously redefining the landscape of finance education. It stands as a powerhouse of knowledge, shaping brilliant minds and nurturing future leaders. In the vibrant tapestry of education, the Department of Finance is a testament to innovation, collaboration, and the relentless pursuit of excellence.



PIONEERING LEADERSHIP IN FINANCE

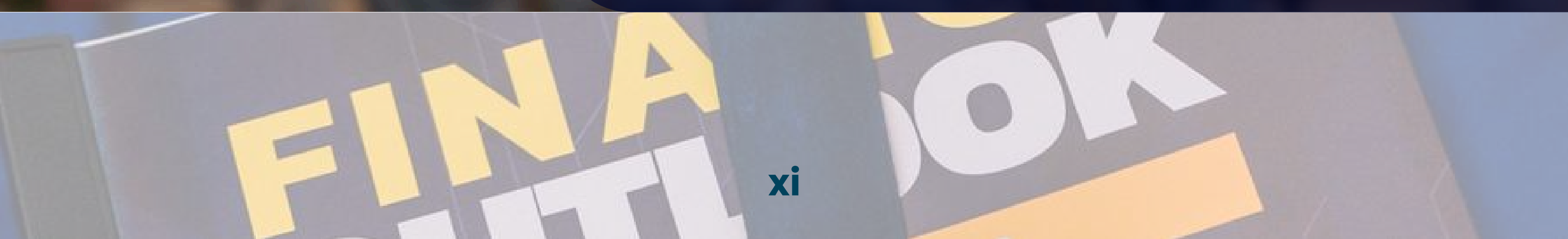
DFIN'S PULSE

Introduction

The Finance Students' Association of the University of Kelaniya, known as "FinSK," is the cornerstone of the Department of Finance under the Faculty of Commerce and Management Studies. Established in 2012, FinSK is a vibrant and innovative student-run organization that plays a pivotal role in enriching the academic and extracurricular experiences of finance undergraduates.

FinSK is more than just an association; it is a hub of creativity and dynamism where finance enthusiasts from all academic years come together to redefine the norms of finance education. It serves as a platform for students to advance their leadership, communication, interpersonal, and decision-making skills. By engaging in various activities, from celebratory events and webinars to community projects and industry forums, members develop a strong team spirit and the ability to tackle real-world challenges.

With a strong social media presence on LinkedIn, Facebook, and YouTube, FinSK connects with a growing audience and showcases the latest updates and events. The association's efforts are guided by the academic staff of the Department of Finance, ensuring a well-rounded and holistic university experience for its members.
Over the past decade, FinSK has flourished into one of the most outstanding associations within the Faculty of Commerce and Management Studies, achieving significant milestones and setting new standards. It embodies the spirit of innovation and excellence, preparing undergraduates to become future corporate leaders, innovators, and visionaries. Being a part of FinSK is not just an experience but a journey that allows students to immerse themselves in the department and craft their own success stories.



ANNUAL EVENTS AND PROJECTS OF FINSK

The Finance Students' Association, known as FinSK,

plays a pivotal role in the Department of Finance. Each year, FinSK curates a variety of events and projects designed to enhance the academic and extracurricular experiences of its members. These initiatives foster a strong sense of community, leadership, and professional growth among the students.

INVESTMENT WEEK

One of the most eagerly anticipated events on FinSK's calendar is Investment Week. Since its inception in 2013, this flagship event has been a cornerstone for the Department of Finance. Spanning an entire week, Investment Week brings together university undergraduates, scholars, and corporate professionals to delve into the details of investments. The event offers a unique opportunity for collaboration with industry experts from fields such as Finance, Banking, Insurance, and Financial Engineering. Key activities during the week include the Investment Trade Show and the Banking and Insurance Summit. The 11th annual Investment Week project, themed "The Future of Finance," promises to explore emerging trends and innovations shaping the financial sector, providing participants with cutting-edge insights and opportunities for professional growth.

INVESTMENT TRADE SHOW

The Investment Trade Show was initiated last year, ***featuring more than 20 leading banking, insurance, wealth management, and stock broker firms.*** It opens its doors to the general public, offering an array of financial literacy-related activities and insights. Visitors have the opportunity to explore stalls dedicated to financial literacy, equipped with resources and experts ready to provide valuable guidance. Additionally, specialized stalls focused on degrees provided by the Department of Finance will be on display, offering aspiring students a glimpse into the world of finance academia.

BANKING AND INSURANCE SUMMIT

The Banking Summit 2023, originally themed “Banking Beyond Tomorrow, “was organized by FinSK in collaboration with the Institute of Bankers of Sri Lanka and the Association of Professional Bankers of Sri Lanka. ***It featured distinguished speakers and industry leaders discussing future trends in banking.*** Building on its success, this year's event expands to include the insurance sector, transforming into the Banking and Insurance Summit. This summit, themed “Bridging Knowledge and Innovation: The Future of Banking & Insurance,” brings together key figures and experts from both industries to discuss relevant topics, trends, and challenges, offering valuable insights for students and professionals interested in the financial services sector.

‘SHILPA’ ADVANCED LEVEL SEMINAR SERIES

The ‘Shilpa’ seminar series, led by our esteemed lecturers, ***aims to equip school students with the necessary tools and knowledge to excel in their A/L examinations.*** This hallmark event, organized by FinSK, is poised to be a guiding light for commerce stream students in grades 12 and 13. The seminar series features esteemed lecturers from the Department of Finance and covers challenging topics in business studies, economics, and accounting, providing valuable insights and exam preparation guidance. In recent years, the seminars were held virtually, allowing students from across the island to participate, thereby broadening the reach and impact of the series. This year, however, the event will return to an official physical format, taking place at the BMICH, further enhancing the experience and engagement for all participants.

TALENT SHOWS FOR UNDERGRADUATES

FinSK recognizes the importance of nurturing diverse talents among its undergraduates. "Kusalatha Day," traditionally held to showcase the artistic abilities of first-year students, has evolved into "Agora" and "Agora 2.0" over the past two years. ***These events have provided a vibrant platform for students to demonstrate their artistic skills and creativity in various forms.*** This initiative not only celebrates talent but also fosters a sense of community and encourages interdisciplinary collaboration within the Department of Finance.

RELIGIOUS EVENTS

FinSK also places a significant emphasis on cultural and religious events, such as the “Pindapatha Pinkama,” “Ashirwada Poojawa” for Freshers, and Vesak celebrations. The Ashirwada Poojawa is meticulously organized to bestow ***divine blessings upon the incoming batch of undergraduates.*** Conducted annually at Kelaniya Raja Maha Viharaya in March, this sacred ceremony is guided by a revered thero, where first-year students receive heartfelt blessings for a prosperous academic journey ahead. Additionally, Vesak celebrations include activities like Bhakthi Geetha performances and ice-cream dansala, promoting cultural appreciation and fostering unity within the Department of Finance community.

FELLOWSHIP EVENTS

The Finance Students' Association organizes a variety of fellowship gatherings that ***enrich the university experience and strengthen bonds among students.*** Each year, events like the annual Freshers’ Welcome warmly embrace new students entering the Department of Finance, while “Kinfolk” bids farewell to graduating seniors, marking significant milestones in their academic journey. Sinhala Tamil New Year celebrations, sports days, and Christmas carol performances are curated to foster unity and friendship among undergraduates, highlighting cultural diversity and community spirit within the department. Additionally, the “Finance Awards Ceremony,” which mainly consists of two sub-events named “Finance Interns Award Ceremony” and “3MT Competition,” recognizes outstanding achievements among students.

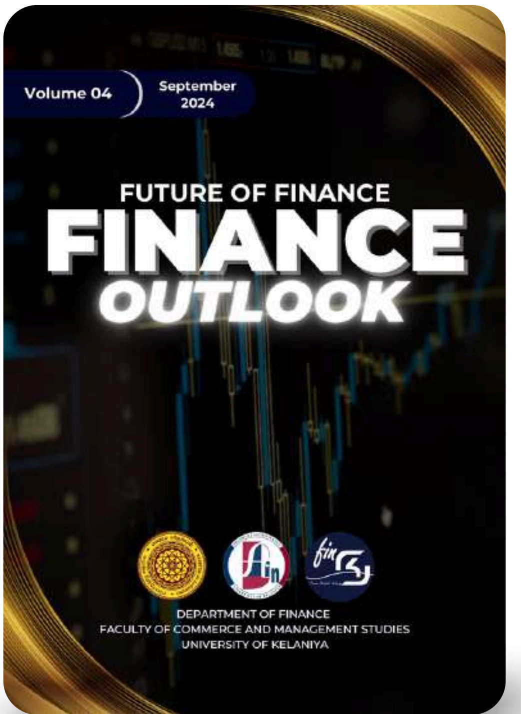
Among these gatherings, “Pinnacle” stands out as a highly anticipated occasion for first and second-year students. This event is a day filled with exciting activities that foster fellowship and unveil hidden talents among peers, creating lasting memories and meaningful connections

ANNUAL MAGAZINES

FinSK publishes three annual magazines that ***reflect the intellectual and creative output of the department.*** "Waishakya Warnana" is the Vesak Magazine, inaugurated in the year 2021, featuring literary and artistic contributions from students and staff. The initiative to launch an annual Vesak Magazine added a novel color to the student activities organized by the Finance Students' Association.

The Finance Review Magazine, referred to as "Mulya Wimansuma" launched in conjunction with the "Shilpa" seminar series, serves as an educational resource for Commerce Stream Advanced Level students. This invaluable resource provides a comprehensive collection of questions aimed at empowering A/L students by covering key subjects such as Business Studies, Accounting, and Economics.

At the core of the association's activities, "Finance Outlook Magazine" has emerged as a beacon of knowledge within the Finance Students' Association. Launched annually during the Investment Week, this publication represents a fusion of expertise. In its inaugural year, the magazine has quickly established itself as a vital platform. Curated by industry experts and dedicated undergraduates under the guidance of respected lecturers, it explores contemporary themes across finance, banking, insurance, and financial engineering, providing a comprehensive view of current trends and insight.



Upon the successful completion of Investment Week in September 2024,

and all the other projected events for the term, the current committee will conclude its tenure and pass the baton to its successors in the first quarter of the upcoming year. Guided by the steadfast dedication of past leaders, the Finance Students' Association remains committed to upholding its values and achieving future endeavors with unwavering dedication and excellence.

Mohammed Rashdhan
Second Year Undergraduate
Department of Finance

Ms. Hashini Fernando
Assistant Lecturer
Department of Finance

ETHICAL CHALLENGES AND SOLUTIONS IN THE FINTECH REVOLUTION

FINANCE OUTLOOK

ETHICAL CHALLENGES AND SOLUTIONS IN THE FINTECH REVOLUTION

Financial Technology, also known as FinTech, is a rapidly evolving field that integrates technology with financial services to enhance and streamline financial activities. FinTech business models leverage diverse technologies like blockchain, artificial intelligence (AI), machine learning, and big data tools such as robotic process automation (RPA). This integration has significantly transformed the traditional financial system, introducing innovations like mobile banking, peer-to-peer lending, digital payments, and robo-advisory services. At its core, FinTech assists consumers and businesses with their financial operations.

The exponential growth and popularity of the FinTech industry have heightened the importance of ethical considerations. As FinTech companies handle personal and sensitive financial data, issues related to data privacy, security, and transparency are critical. Ethics in FinTech is not just about adhering to protocols and regulations; it is also about building trust with customers and stakeholders. Ethical practices uplift a company's reputation, strengthen customer loyalty, and ultimately lead to long-term success.

UNDERSTANDING THE ETHICAL LANDSCAPE OF FINANCIAL TECHNOLOGY

The ethical aspect of FinTech is multifaceted and complex, shaped by the integration of finance, technology, and society. As FinTech innovations evolve, they disrupt the traditional financial system and raise new ethical challenges. Key ethical issues in FinTech include data privacy and security, algorithmic bias and fairness, transparency, and regulatory compliance. The global nature of FinTech and the sensitive nature of financial data lead to significant ethical concerns.

Customers' trust in FinTech services is positively related to their perceived security and privacy of data. Today, FinTech companies strive to balance ethical issues with innovation. "FinTech for good" is an emerging trend that emphasizes social responsibility, financial inclusion, and sustainability.

DATA PRIVACY AND SECURITY

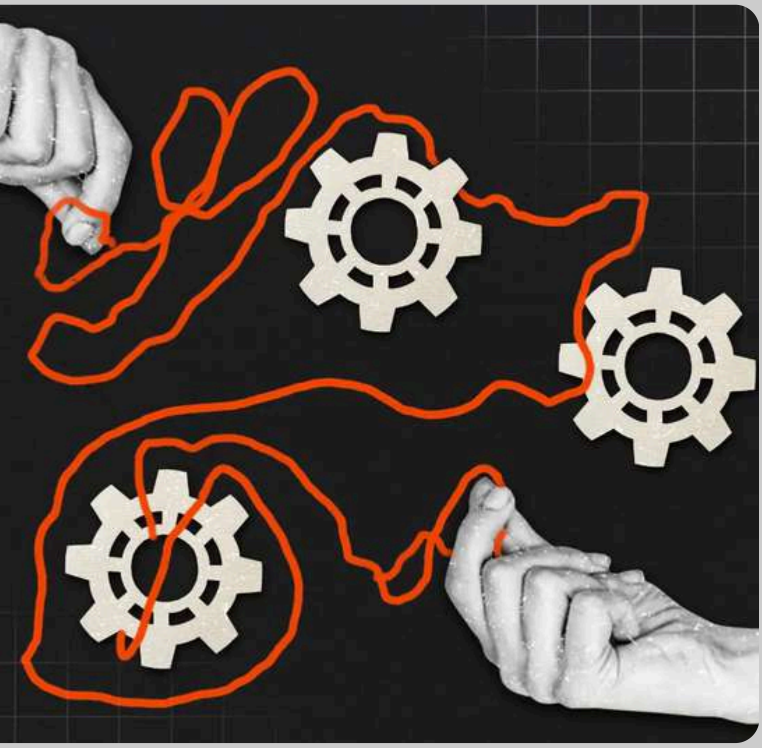
FinTech companies handle highly sensitive financial data and are responsible for protecting this information from threats and misuse. Data privacy is the right of individuals to control what information related to them is collected and to whom it is disclosed. For FinTech companies, this means handling personal information with respect and legal compliance, ensuring that data is only used for its intended purpose and not disclosed without customers' consent. Protecting customer data and maintaining transparency in data handling build trust between FinTech companies and their customers. Cyberattacks and data breaches can lead to significant financial losses, legal repercussions, and damage to a company's reputation.

According to the Global Economic Crime and Fraud Survey 2023 by PwC, ***the average cost of cybercrime for financial services firms globally has increased to $25.1 million per firm annually.*** This figure underscores the growing financial impact of cyberattacks on the financial industry, necessitating robust cybersecurity measures. The study gathered insights from a survey of 3,000 senior executives across 400 companies in various countries, including the United States, United Kingdom, Germany, Australia, and Japan.

Strong security measures such as encryption, safe user authentication procedures, and frequent security audits are essential for protecting customer data. These measures reinforce a company's commitment to data privacy. Additionally, adopting a "privacy by design" approach helps identify potential privacy risks before they become issues, ensuring that privacy is an integral part of system design. FinTech companies can collaborate with cybersecurity firms and data protection-focused technology providers to implement comprehensive security protocols. Educating clients about data privacy policies and potential hazards also promotes a safer FinTech environment.

ALGORITHMIC BIAS AND FAIRNESS

Algorithmic bias and fairness are critical factors in the ethics of financial technology. Algorithms are used to make important financial decisions such as loan approvals, interest rates, and creditworthiness assessments. However, these algorithms can be biased and lead to unfair outcomes. Algorithmic bias occurs when an algorithm systematically generates erroneous assumptions during the machine learning process, often favoring one party over another. Fairness in algorithms implies equitable treatment of all individuals, free from discrimination. In FinTech, fairness means providing financial services impartially.



A study by the National Bureau of Economic Research (NBER) published in 2019, titled "Consumer-Lending Discrimination in the FinTech Era," found that Black and Hispanic borrowers in the United States pay 7.9 and 6.2 basis points more in interest for home purchase and refinance mortgages, respectively, even when accounting for financial and credit characteristics. This study highlights the presence of algorithmic bias in lending practices, despite the advancements in technology that are expected to eliminate human biases. The researchers analyzed over 9 million mortgage applications from 2009 to 2015 to understand the extent of discrimination in lending decisions made by both traditional banks and FinTech lenders.

FinTech companies must ensure that their algorithms are transparent and continually reviewed. Addressing algorithmic bias while promoting fairness is essential for building customer trust and maintaining a competitive edge in the market.

REGULATORY COMPLIANCE IN FINTECH

THE FINANCIAL INDUSTRY IS ONE OF THE MOST HEAVILY REGULATED SECTORS GLOBALLY,

with regulations evolving alongside technological advancements and emerging risks. FinTech companies must comply with various regulations, including anti-money laundering laws, know-your-customer (KYC) requirements, and data privacy laws.

Compliance is not just about adhering to rules; ***it is about maintaining customer trust and safeguarding the company's reputation. Noncompliance can result in fines, legal actions, and diminished corporate standing.***

According to the 2023 Thompson Reuters Regulatory Intelligence Cost of Compliance Survey, 66% of financial institutions globally expect regulatory compliance costs to increase over the next two years. The survey, which included responses from over 1,000 compliance and risk practitioners across various financial sectors, indicated that the increase in costs is driven by heightened regulatory scrutiny, the complexity of new regulations, and the need for enhanced compliance programs. This survey covered multiple regions, including North America, Europe, Asia, and Australia, reflecting the global impact of regulatory changes on the financial industry.

To manage these ethical challenges, FinTech companies can hire skilled compliance officers, implement effective compliance management systems, and provide compliance training for employees. Prioritizing regulatory compliance helps FinTech companies mitigate risks and build a sustainable business.

The Role of Artificial Intelligence in *Ethical FinTech*

Artificial intelligence is significantly changing the financial technology industry. AI integration in financial services can enhance customer experiences and open new possibilities for managing finances. Examples include chatbots providing 24-hour service and machine learning algorithms detecting risk and fraud. However, ethical concerns arise as AI systems become more sophisticated, including issues of transparency, fairness, and accountability. The use of AI in FinTech also raises serious concerns around data security and privacy.

According to Deloitte’s 2023 Global AI in Financial Services Survey, 32% of financial services companies globally are using AI to detect and deter fraud. The survey, which involved executives from over 200 financial institutions across various regions including North America, Europe, Asia-Pacific, and Latin America, highlights the widespread adoption of AI technologies in combating financial fraud. This adoption underscores the industry's reliance on AI to improve operational efficiency and enhance fraud detection capabilities.

Ethical AI applications in FinTech include AI acting as a financial advisor, assisting in asset management and making informed investment decisions, and as a risk assessor, analyzing historical data to predict future market trends. Ensuring AI systems uphold user privacy, promote fairness, and maintain trust with clients and the public is crucial for ethical AI implementation in FinTech.

Building Ethical Culture in FinTech Companies

Navigating ethical challenges in FinTech is tough yet crucial. The integration of finance and technology has introduced innovative financial services but also raised significant ethical considerations. To ensure ethics in their operations, FinTech companies can implement robust security methods, such as encryption and regular security audits, and adopt proactive measures like privacy by design. Regularly auditing AI systems for biases and ensuring compliance with data privacy laws is also essential.

Striking a balance between technological advancements and ethical integrity is vital for navigating ethical challenges in financial technology. FinTech companies that prioritize data protection and security, address algorithmic bias, comply with regulations, and use AI responsibly will build trust and loyalty with stakeholders and customers. This foundation of trust and loyalty will ultimately lead to long-term success in this rapidly changing market.

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DECENTRALIZED FINANCE

TRANSFORMATIONS IN TRADITIONAL BANKING

DECENTRALIZED FINANCE

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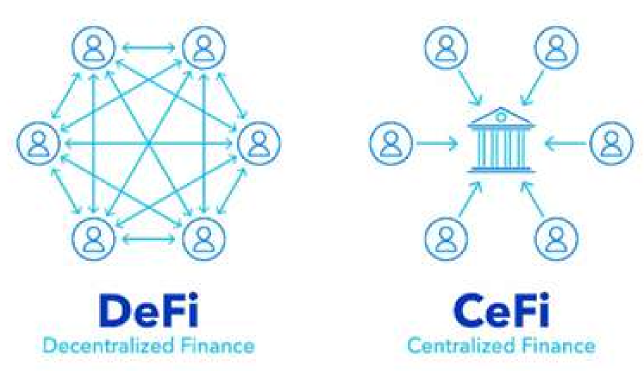
What is DECENTRALIZED FINANCE?

Decentralized finance, or "DeFi", refers to decentralized financial infrastructures operating on an open, peer-to-peer, international blockchain (KPMG, 2023). DeFi aims to make financial services traditionally provided by banks and financial institutions more accessible without the need for trusted third parties or financial intermediaries. Trust in third parties (banks, insurance companies, and finance companies) is replaced by confidence in the reliability and security of a decentralized, unforgeable, and immutable computer protocol.

Several unique features differentiate Decentralized Finance (DeFi) from Centralized Finance (CeFi), also known as, Traditional finance. Moreover, the drawbacks embedded within the usage and implementation of Centralized Finance, such as the need for users to disclose their data to unknown third parties, the massive time consumption related to the settlement and clearance procedures, and the relatively limited hours of operations, have created an opportunity for Decentralized Finance (DeFi) to emerge.

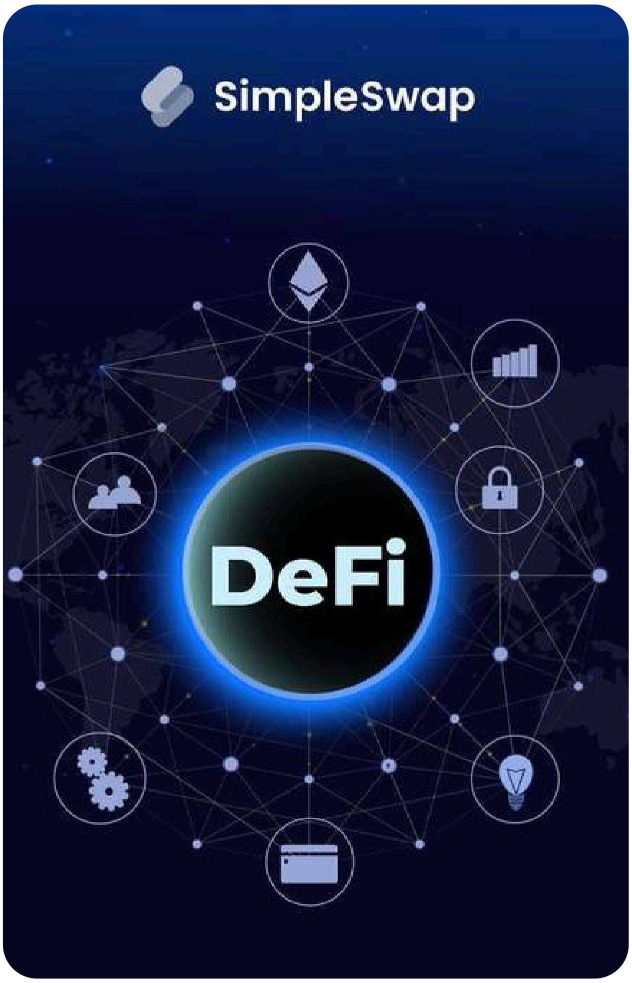


Decentralized Finance (DeFi)	Traditional Finance
There is no requirement to disclose personal details.	Users must share personal data, which might be vulnerable to security breaches.
Generally, users are responsible for managing their funds, so loss of funds is rare.	Traditional financial services will not be available to the unbanked.
Speedy transactions, settlements and clearance are done in real time.	Clearing and settlement procedures take comparatively longer.
DeFi markets operate around the clock. (24 x 7 x 365)	Limited hours of Operation.

The following table provides a clear view of how DeFi stand out against the drawbacks of Centralized Finance (CeFi).

The implementation and usage of DeFi have become unique from the investor's point of view compared to traditional financing approaches. As previously mentioned, the DeFi process is further enhanced by computer protocols, making the process more efficient and transparent. For example, some famous protocols such as Uniswap V3, Curve, 0x Protocol, Dydx, etc.

These protocols function similarly to simple network protocols. A Decentralized Finance protocol consists of the formats, codes, and procedures governing systems of lending, borrowing, and trading financial securities between two willing parties via a particular medium.



BENEFITS

OF HAVING A DECENTRALIZED FINANCING SYSTEM

Spanish Entrepreneur and Founder and Chief Executive Officer of Koryntia, Gregorio Punzano, the financial landscape has witnessed a revolutionary transformation with the emergence of DeFi or Decentralized Finance. DeFi is an innovative approach to replace traditional banking systems by leveraging blockchain technology and smart contracts. According to Mr. Punzano, the evolution of Decentralized Finance has brought numerous innovations and modifications to traditional banking practices globally, and a few of them are outlined below,

Accessibility and Inclusivity

DeFi takes a significant lead in terms of accessibility and inclusivity. With just an internet connection, individuals worldwide can participate in DeFi platforms. In contrast, traditional banking requires physical branches and extensive documentation, which limits accessibility and leads to significant time consumption and customer frustrations.

Elimination of Intermediaries and Customer Satisfaction

DeFi eliminates intermediaries and empowers users to have complete control over their finances. Users interact directly with smart contracts, reducing the chances of human errors and manipulation. In contrast, traditional banking relies heavily on intermediaries, leading to longer transaction times and increased costs, such as bank charges and service fees.

Transparency and Security

Transparency and security are core features of DeFi. All transactions are recorded on a public blockchain, ensuring transparency and accountability. DeFi also utilizes robust cryptographic techniques, making it highly secure. While traditional banking is safe, it often lacks the same level of transparency.

Global Reach

DeFi operates on a global scale without any geographical restrictions. It provides equal opportunities to individuals worldwide, bridging the financial gap between developed and developing countries. Traditional banking, although widespread, may face limitations in reaching remote and underserved regions.

Decentralized Lending and Borrowings

DeFi lending and borrowing refer to decentralized financial services where users can lend their cryptocurrency to earn interest or borrow cryptocurrency by providing collateral. Unlike traditional financial services, DeFi platforms operate without intermediaries, using smart contracts to manage transactions. This system allows for greater transparency, lower costs, and increased accessibility.

TRANSFORMATIONS SHOWN IN TRADITIONAL BANKING PRACTICES

Due to the benefits generated by the implementation of Decentralized Finance, the Traditional banking industry had seen a vast improvement in their general operations.

These advancements have made it much more convenient for clients to perform transactions at their fingertips without being frustrated in queues and significantly saving the time. Similarly, enhanced transparency and security have increased the trust of the customers in the decentralized financing approaches adopted by the banking industry, which benefits the bank, its reputation, and the customer. Moreover, DeFi is more innovative and aligned with the latest technology compared to traditional banking.

The transformations within the banking industry have made e-customers feel more confident and precise in handling their funds through the developed automation facilities.

Amidst the few risks which will hopefully be mitigated with time and increased investor knowledge and education, Decentralized Finance (DeFi) is poised to become the future of the finance industry.

With ongoing improvements and innovations in information and communication technology, DeFi will facilitate peer-to-peer transactions eradicating the need for financial intermediaries in the exchange of funds and securities.

Further, regarding the Sri Lankan economy, the Central Bank of Sri Lanka (CBSL) entered into agreements to develop Blockchain Technology Based Shared Know-Your-Customer (KYC) proofs of concept (POCs) on 7 July 2020. CBSL identified the potential benefits for Sri Lanka's financial services in 2018 and initiated an inter-industry study of Blockchain Technology with voluntary participation from banks and the IT industry.

CBSL decided to pave the way for Blockchain Technology-based financial service solutions in Sri Lanka by developing a Shared KYC solution. Government authorities emphasized the importance of regulator-led inter-industry initiatives to promote digital innovation in Sri Lanka and harness local and international talent.

RISKS & CHALLENGES
ASSOCIATED WITH DECENTRALIZED FINANCING (DeFi)

"As a coin has two sides, rational investors must understand that even the best mode of transacting will also have some inherent risks."

Scholars have identified several risks associated with Decentralized Finance. These include the complexity of understanding the functionality of the respective platforms, limited regulatory frameworks, vulnerability to faulty programming and hacks, operational and financial risks, and governance issues.

In embracing DeFi, investors must acknowledge that alongside its transformative potential lie several inherent risks. These include the complexities of platform functionality, the lack of a robust regulatory framework, susceptibility to programming errors and hacks, operational and financial risks, and governance challenges.

Despite these concerns, DeFi continues to evolve as a promising avenue for financial innovation. To navigate these risks prudently, stakeholders should prioritize education, due diligence, and proactive risk management strategies to foster a more resilient and sustainable DeFi ecosystem in the future.

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NAVIGATING THE DIGITAL FRONTIER

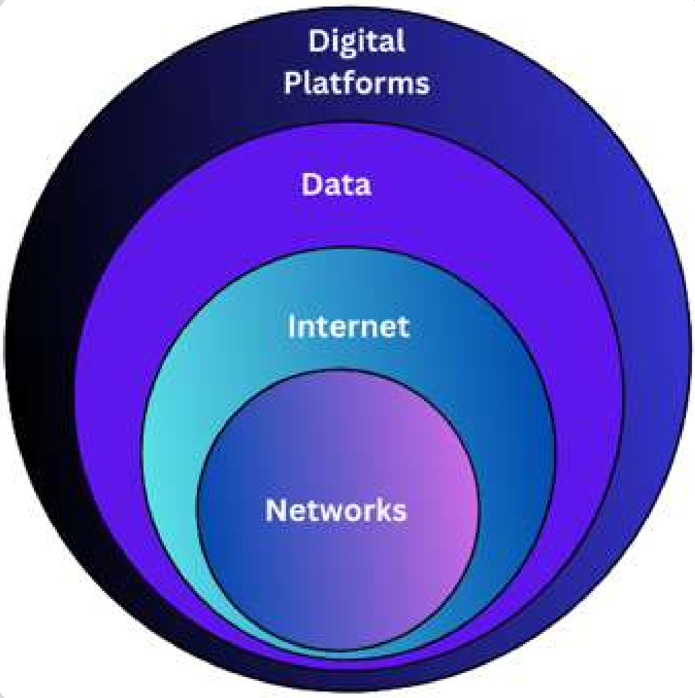
THE CONVERGENCE OF CYBERSPACE, INVESTMENT, AND CYBERSECURITY

NAVIGATING THE DIGITAL FRONTIER

THE CONVERGENCE OF CYBERSPACE, INVESTMENT, AND CYBERSECURITY

THE EVOLUTION OF CYBERSPACE: HISTORICAL CONTEXT AND FUTURE TRENDS

The concept of cyberspace has gained ground in our contemporary society in recent years. This trend has transformed the political landscape and prompted people to change their lifestyles, as they are increasingly driven by electronic devices daily. Cyberspace can be understood as a virtual and dynamic domain created by computer systems. It is a space where all the interactions take place through digital technology and networks, including the Internet, computer networks, and computer systems. The foundation for cyberspace was first laid by sci-fi pioneer William Gibson in his novel "Neuromancer" in 1984. Cyberspace encompasses certain components and functions implemented with those components.



Networks - Computer networks and their structure form the base of cyberspace, consisting of access networks, MANs, and WANs. These networks may cover a wide range, from single buildings to vast distances such as space-based networks. They employ various media including electrical cables and wirelines, switching nodes and bridges, spanning the entire universe.

Internet - the Internet can simply be defined as the network of networks. It plays a vital role in cyberspace serving as a mixture of websites, online games, and social networks.

Data - Data maintains people's magnetic connections in cyberspace. Information flows through the net at billions of bits per second taking various formats, such as letters, numbers, symbols, images, videos, and files.

Digital Platforms - As technology evolves, the world increasingly embraces virtuality. Most platforms are now digital, offering services and resources through active online interactions.

In the modern world, almost everyone seeks digital and technological solutions for various purposes, such as financial, entertainment, and business.

THE RISE OF DIGITAL INVESTMENT

There are many advantages of using cyberspace and modern technology for investments. First, using newer technologies and innovations in investments can save on costs such as documentation and transportation costs. Investors expect good returns on their investments, so cost savings are essential to achieve the desired compensation.

Another crucial point is enhanced security. Using strong passwords, one-time PIN numbers, and usernames for accounts increases the security of investments, limiting unauthorized access. Online and digital investments are more productive and efficient, compared to manual processes.

Fast networks and other advanced components are necessary to maintain productivity and efficiency. Unlike the manual and conventional methods of investing, digital and online platforms are automated saving investors valuable time. Due to these advantages, many people have shifted to digital technology for their investment needs.

BUILDING AND MANAGING WEALTH IN CYBERSPACE

Though cyberspace and technology can be effectively and profitably used for investments, as mentioned above, there must be a thorough understanding of how to gain and manage wealth with the help of cyberspace. In the technologically driven modern world, numerous investment opportunities have emerged, allowing people to use their wealth and excess money effectively to earn returns.

Among these opportunities, online investments have become prominent due to the enormous benefits they offer. Traditionally, many people worldwide, including Sri Lanka, have focused on buying and selling company shares. This practice has gained global popularity. Before investing in shares, investors must carefully evaluate the financial position, share price, share volume, and other factors. Nowadays, most companies maintain websites to provide this information to investors, enabling them to access relevant data from home using their mobile phones or any private device. On the other hand, investors can invest their money by accessing company websites, making online payments, and receiving online receipts for their investments.

BUILDING AND MANAGING WEALTH IN CYBERSPACE

Continued

Beyond buying and selling company shares, the trend of buying and selling digital money has also gained traction worldwide. The term "Cryptocurrency" has become well-known.

Cryptocurrency is a digital form of money that cannot be used like material money (coins and notes). Unlike traditional currency, cryptocurrency is only available on digital platforms and cannot be earned in the same way. People are interested in buying cryptocurrencies as they are offer an effective investment opportunity. Specific applications, such as "Binance," facilitate the buying and selling of cryptocurrencies. These apps provide a clear view of various types of cryptocurrencies, their fluctuations, and details about sellers, and buyers. There are also websites designed to simplify the process and generate interest among potential investors.

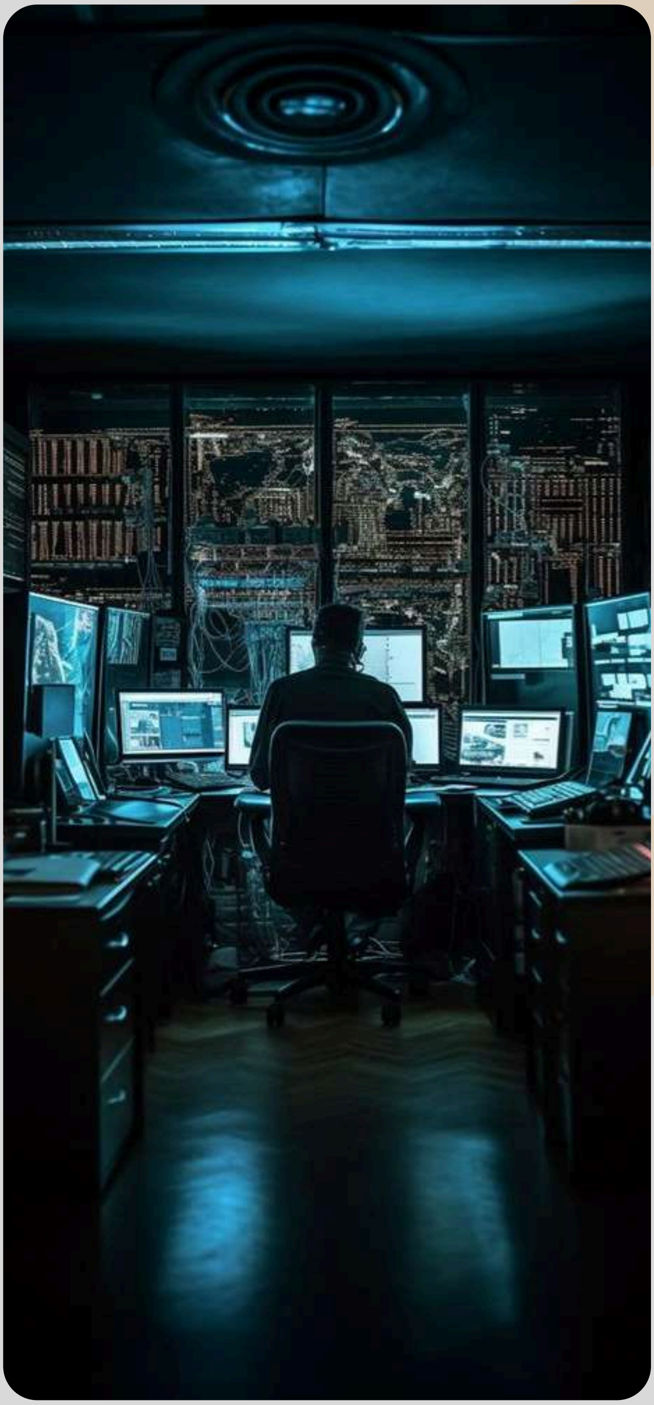
Furthermore, businesses today increasingly operate online, capitalizing on digital trends. People invest in online businesses to reduce certain costs associated with physical operations, such as Inventory keeping and rent. These Online businesses, often referred to as e-commerce, operate without any physical buildings. People also use online and digital methods to manage their wealth. Financial institutions and other investment companies encourage these methods to maintain paperless transactions. When managing wealth, it is essential to create a budget to reduce inappropriate expenses that can waste resources. Numerous apps available are available that allow users to input their monthly revenue and expenses; these apps then generate a suitable budget. AI-generated financial solutions are also in high demand.

Digitizing services is another crucial aspect of active wealth management. People invest their money in financial institutions like banks which are a familiar investment avenue in countries like Sri Lanka. They open various accounts like Savings Deposits, Fixed Deposits, Demand Deposits, or Current Accounts. Banks have introduced apps and websites that allow investors to manage these accounts directly by any private device owned by the investor.

These apps provide direct access to accounts, enabling users to check balances, pay bills online, transfer funds, deposit funds, and even withdrawals. Apps like "E-wallet" have reduced the need for cash, and cashless transactions, especially during the Covid-19 pandemic. This shift has significantly impacted how people spend money.

CYBER RESILIENCE; THREATS AND CHALLENGES

Despite the benefits of investing and managing wealth through online methods in cyberspace, there are inherent risks associated with modern technology. Cryptocurrency, for example, lack regulation in Sri Lanka. The central bank of Sri Lanka has declared cryptocurrency is not valid in the country, and neither the government nor the central bank assumes responsibility for any adverse outcomes. Holding money in e-wallets is also uninsured and vulnerable to hacking and other cybercrimes due to the absence of regulatory oversight. Payments made in cryptocurrency lack legal protection and are not reversible exposing users to potential fraud from fake clients and intermediaries online. The cyber world is rife with experienced hackers who strategically target online investment platforms.



Even banking apps and websites, designed for convenient account management, are susceptible to privacy breaches. Users' credentials, such as usernames, passwords, and PIN numbers, can be compromised, risking theft of invested wealth. Moreover, cyber-attacks like viruses pose a threat by potentially erasing or manipulating critical investment details. The reliability and accuracy of financial information available online cannot always be guaranteed, raising concerns about privacy and unauthorized usage of investors' private information.

CYBERSECURITY

Due to the above risks, the concept of "cybersecurity" is gaining prominence alongside the expansion of digital and online investment methods facilitated by advancements in Information Technology

What exactly is CYBER SECURITY?

Cybersecurity involves the practice of safeguarding computers, servers, mobile devices, electronic networks, systems, and data from malicious attacks. It is also referred to as Information Technology security and electronic information security. The term "Cybersecurity" applies across various contexts, including business and mobile computing, and can be categorized into several common categories.

- Network Security
- Application Security
- Information Security
- Operational Security
- Disaster recovery and business continuity
- End-user Education

The term "End-user Education" is highlighted since the investors are users of specific computer networks, systems, and other components to carry out their investment activities. Therefore, it is crucial for them to be thoroughly understand cybersecurity risks and adopt practices to protect their investments.

First and foremost, using strong passwords for applications, websites, and other e-platforms is essential because the passwords are the primary security measure. Access should be limited strictly to trusted individuals or solely to oneself, as the confidentiality of investment details is paramount.

What exactly is CYBER SECURITY?

Continued

It is advisable to maintain backed-up copies of investment details stored securely. Email security is also crucial, given that email is a primary contact method for many investment institutions. Having recovery email or phone number associated with the email account enhances security.

Implementing two-step verification such as Google's option, can significantly reduce the risk of hacking attempts. Avoiding open networks like public Wi-Fi or using VPNs for secure connections when assessing websites and apps is recommended to mitigate potential threats to devices and data.

Investors can enhance protection further by using anti-virus software such as Kaspersky, ESET, along with network firewalls, to defend against viruses and hackers. Given the continuous technological advancements, regularly updating and upgrading systems and software used for investments is crucial. Updated software typically includes enhanced security features, making it imperative to avoid using outdated versions.

CONCLUSION

In conclusion, as Information Technology continues to advance, people are increasingly shifting to convenient online methods for activities like investing, including in digital assets such as cryptocurrencies. However, with the rise in online system usage comes increased risks such as hacking, data breaches, fraud and other malicious activities. Thus, it is essential for investors to be well-informed about of and adhere to essential cybersecurity practices when engaging in investments via digital platforms in the modern digital era.

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EMPOWERING GROWTH

THE TRANSFORMATIVE IMPACT OF FINTECH ON SMEs

EMPOWERING GROWTH

THE TRANSFORMATIVE IMPACT OF FINTECH ON SMEs.

FinTech is an acronym made up of the words finance and technology. It refers to any app, software or technology that allows people or businesses to digitally access, manage or gain insights into their finances or make financial transactions.

Some examples include mobile banking, peer-to-peer payment services, or trading platforms. Fintech has many of applications. Small and Medium Enterprises (SMEs) are a major component of every economy and contribute significantly to gross domestic product and employment. Small businesses represent 90% of businesses and more than 50% of employment worldwide. These small businesses contribute nearly 50% of the Gross Domestic Product (GDP). In developing economies like Sri Lanka, SMEs play a significant role in the country's economy. According to the Central Bank of Sri Lanka (CBSL), SMEs constitute over 75% of all enterprises in the country. They are responsible for more than 20% of exports, provide employment for around 45% of the workface, and contribute a remarkable 52% of the GDP.

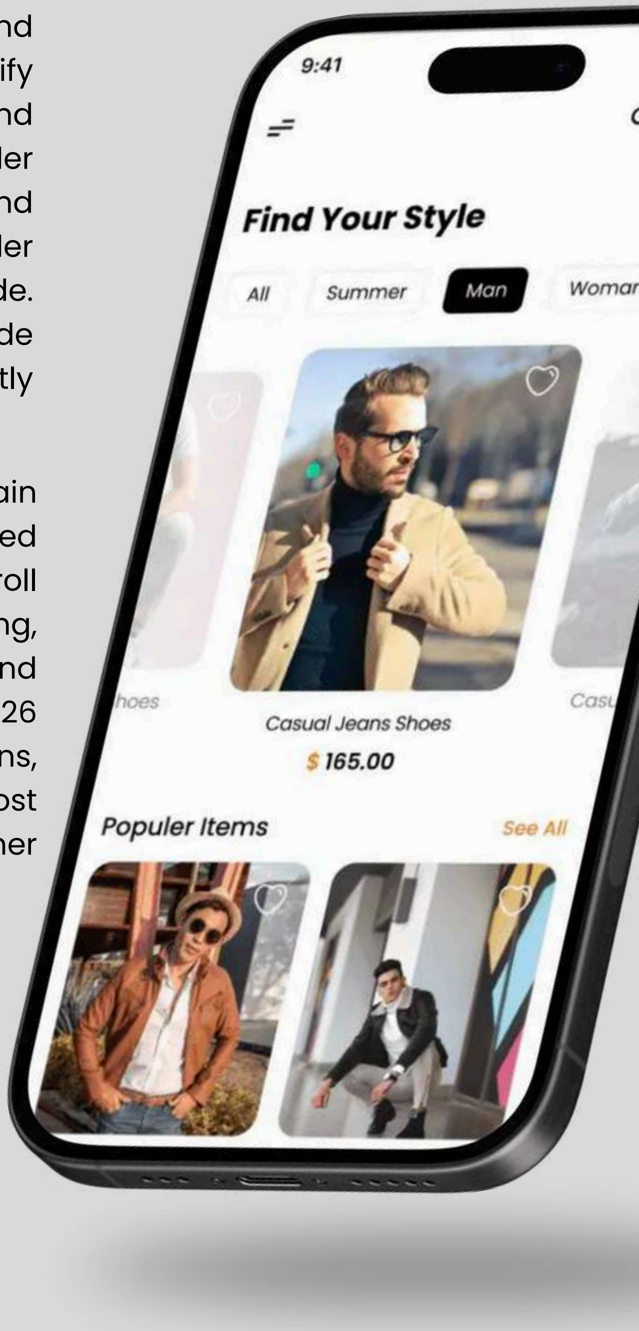
However, small and medium enterprises face challenges such as capital issues, operational management and intense competition in starting and maintaining businesses. In recent times, FinTech has undergone a transformational change in the way small and medium sized entrepreneurs operate. This article aims to discuss the impact of FinTech on SMEs growth and sustainability, FinTech in Sri Lankan SMEs, obstacles and challenges that make it difficult for SMEs to fully adopt digital financial products, and specific policy and regulatory actions to be considered for financial obstacles and challenges.

A primary barrier for SMEs is access to capital. Obtaining funds through traditional banks involves long approval processes and significant time and cost. However, the capital rising opportunities introduced by FinTech have had a great positive impact on SEMs. Platforms like LendingClub and Funding Circle connect SMEs directly with individual and institutional investors, facilitating easier and quicker access to loans. This is known as peer-to-peer lending. (P2P). Crowdfunding sites like Kickstarter and Indiegogo enable SMEs to raise funds from many people, reducing dependency on traditional financial institutions. Companies like BluVine and Fundbox offer advances on outstanding invoices, providing immediate cash flow to businesses. In these processes, credit qualifications are assessed and funded using traditional data points through FinTech.

Furthermore, managing payments is another critical aspect where FinTech has made significant impact on SMEs. Mobile payment solutions services like Square and PayPal allow SMEs to accept payments through mobile devices, enhancing convenience and reducing transaction times. Digital wallet applications such as Apple pay and Google wallet offer secure and quick transactions, improving customer experience and reducing friction in payment processes. Blockchain – based payment systems provide secure, transparent, and low- cost transactions, minimizing the risk of fraud and reducing transaction fees. Traditional payment methods are often slow and inefficient, but the efficient and convenient payment methods introduced through FinTech have greatly contributed to the sustainable development of SMEs.

Effective financial management is crucial for the growth and sustainability of SMEs. FinTech has introduced several solutions for this. Accounting software platforms, Like Xero automate book keeping, invoicing and expenses tracking, enabling SMEs to maintain accurate financial records with minimal effort. Expense management tools such as Expensify and Concur help businesses manage employee expenses, streamline reimbursement processes, and control spending. Financial Analytics FinTech solutions offer advanced analytics and forecasting tools that provide SMEs with insights into their financial health, helping them make informed decisions.

FinTech also empowers SMEs to expand their reach beyond local markets. E-Commerce Platforms solutions like Shopify and Big Commerce enable SMEs to set up online stores and manage international sales efficiently. Cross-Border Payments FinTech services such as TransferWise and Payoneer facilitate low-cost, fast and secure cross- border transactions, helping SMEs engage in global trade. Marketplace platforms like Amazon and Alibaba provide SMEs with access to a global customer base, significantly enhancing their growth potential.



Operation efficiency is essential for SMEs to remain competitive. FinTech innovations contribute to streamlined operations through various means. Automated payroll services like Gusto and ADP automate payroll processing, ensuring timely and accurate salary payments and compliance with tax regulations. Digital banks such as N26 and Revolut provide SMEs with fixable banking solutions, including real – time account management, low – cost international transactions, and integration with other financial tools.

FinTech is increasingly becoming an integral part of the financial landscape for SMEs in Sri Lanka. The country has seen a rise in FinTech startups and solutions that aim to address various needs such as digital banking, payment solutions, and financial inclusion strategies. There are over 144 FinTech startups in Sri Lanka, including notable names like FriMi, Mintpay, Payable, People’s Pay, and Genie. Epic Technology Group is a leader in digital transformation and e – government solutions in Sri Lanka offering secure electronic payment automation and information system security. The digital assets market in Sri Lanka is projected to have an Assets under Management (AUM) of US$ 14,380.000 in 2024.

Central bank of Sri Lanka has developed a financial inclusion strategy with priorities such as increasing access to digital finance and payments for SMEs, protecting financial consumers, and boosting financial literacy. The FinTech sector in Sri Lanka is poised for growth, offering SMEs opportunities to leverage technology for financial services, thereby enhancing their business operations and access to finance.

CHALLENGES

THAT MAKE IT DIFFICULT FOR SMEs TO FULLY ADOPT DIGITAL FINANCIAL PRODUCTS.

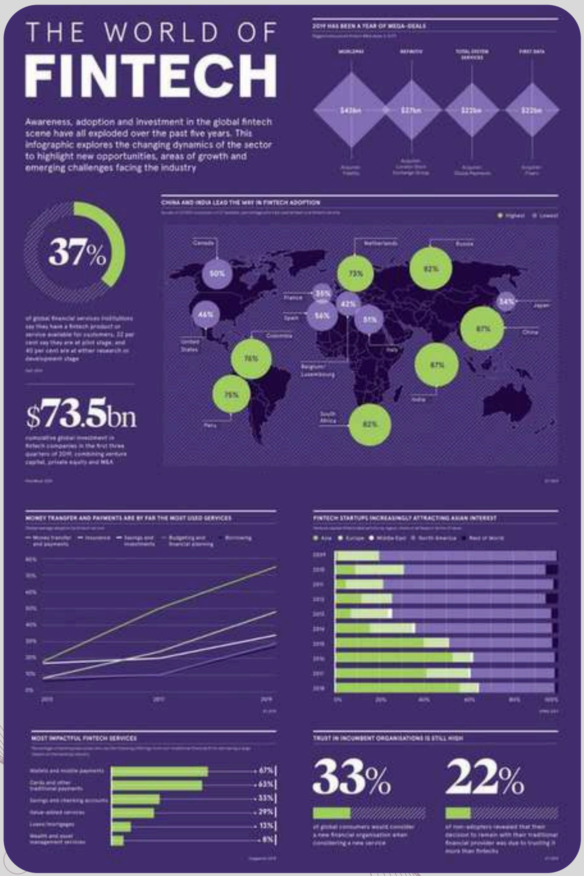
The main areas where challenges have been identified are digital financial literacy and awareness of Digital Financial Services (DFS), digital infrastructure, financial supervision and regulation, identity, and data privacy and data protection. Some issues are more prevalent in emerging markets, which have less developed digital infrastructure, systems, and processes.

To overcome these challenges and enable realization of a FinTech promise for SMEs policymakers should focus on foundational elements such as creating enabling environment, empowering potential users and balancing risks and benefits of innovative financial products. This article presents and discusses specific policy and regulatory actions to be considered for this purpose. These include policy and regulatory recommendations specific to digital financial products for SME financing, digital financial education programs for SMEs highlighting DFS awareness, affordable digital infrastructure that fosters widespread internet access and use, along with robust cyber security frameworks.

ALTHOUGH FINTECH TECHNOLOGY HAS BEEN AROUND FOR A LONG TIME,

it was not very popular in South Asian countries such as Sri Lanka. However, with the spread of the Covid – 19 pandemic, the use of financial technology has grown rapidly around the world. The transformative impact of FinTech on SMEs is undeniable.

By providing innovative solutions for financing, payments, financial management, operations and global reach, FinTech empowers SMEs to overcome traditional barriers and achieve sustainable growth. FinTech should work to solve the specific that SMEs face and contribute to their growth. As FinTech continues to evolve, its role in shaping the future of SMEs will only become more pronounced, driving economic development and prosperity worldwide.



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TRANSFORMING FINANCIAL PROCESS WITH ROBOTIC PROCESS AUTOMATION

TRANSFORMING FINANCIAL PROCESS WITH ROBOTIC PROCESS AUTOMATION

Introduction

In the 21st century, the world has witnessed significant advancements in technology, simplifying various tasks for the majority of people. Today, tasks ranging from the simplest to the most complex can be completed swiftly and seamlessly. This technological ease is not limited to individuals; businesses also benefit greatly by conducting their activities with increased efficiency and convenience. Today, artificial intelligence (AI) and robotic technology are frequently discussed, and virtual platforms utilized in the business world rely heavily on these technologies. Artificial Intelligence refers to computer systems that perform tasks typically associated with human cognition, such as thinking, problem-solving, and decision-making.

Despite this, integrating existing tasks with artificial intelligence (AI) systems reveals a significant gap due to various factors, such as limited infrastructure and resources, as well as entrenched practices, which is more pronounced in developing markets such as Sri Lanka. The financial industry in Sri Lanka can be seen as one such industry that still heavily relies on manual methods for many activities, which can result in errors and inefficiencies. This dependence on human involvement often leads to time-consuming tasks and resource wastage. Overburdened employees may experience stress, leading to customer dissatisfaction and impacting the company's reputation. To address these challenges, businesses can streamline their operations by adopting automation and modern technologies, enhancing both effectiveness and productivity while overcoming the need to deploy highly advanced artificial intelligence (AI) technologies.

This article will discuss about a rule-based automation process designed for repetitive tasks, which does not require complex machine learning algorithms or extensive AI integration, thereby presenting a more accessible solution for many businesses. Its applications, advantages, challenges, and implications within the financial sector are also comprehensively analyzed here.

What is Robotic Process Automation (RPA) & Its Role in the *Financial Industry ?*

While countries like Sri Lanka may still need to adopt highly sophisticated AI technologies, Robotic Process Automation (RPA) offers a solution, making it easier for businesses to improve efficiency and productivity despite these technological limitations. Although Robotic Process.

Automation differs from Artificial Intelligence in that it focuses mainly on automating rule- based, repetitive tasks without the need for complex learning algorithms, recent advancements in AI have not only enhanced the capabilities of RPA but also facilitated its integration into diverse traditional frameworks. These systems enable software robots to work with unstructured data, greatly enhancing their functionality.

This capability not only broadens the scope of tasks that can be automated but also significantly increases the return on investment (ROI) for organizations by allowing employees to focus on more complex and strategic activities RPA systems primarily engage in tasks such as logging into applications or software, moving files and folders, copying and inserting data, and performing other repetitive manual activities.
As mentioned above, RPA automates repetitive tasks traditionally performed manually, significantly enhancing efficiency and reducing errors. For example, consider the processing of a stack of invoices. Each invoice requires data entry into accounting software, cross-checking details, and generating reports. Instead of assigning these repetitive tasks to staff, RPA software robots can be utilized. These robots log into the accounting system, extract data from invoices, accurately input the data, and seamlessly generate reports. This automation not only expedites the process but also minimizes human error.

On the other hand, the financial process, as one of the riskiest aspects of business operations with the advent of online transactions and IT technology, benefits from RPA as a means of reducing these risks by lowering the number of employees required for manual and repetitive tasks.

RPA is extensively utilized in loan processing, customer service, fraud detection, accounts payable, and credit card processing in the banking sector. For loan processing, RPA robots can automatically extract data from applications, input it into the system, and verify documents, ensuring compliance and accuracy. This contrasts with manual methods, which are inflexible, slow to adapt to market changes, and prone to errors.

Therefore, integrating RPA into financial processes supports better decision-making and increased customer satisfaction through high productivity and improves efficiency through reduced labor costs.

How RPA Transforming in Sri Lanka Business World

At the moment several banks and leading companies in Sri Lanka have already integrated RPA into their financial systems.

NDB bank mentions that with the launch of the NDB's RPA system, Potenza is recognized as the first company in Sri Lanka to steer an RPA implementation for mainstream banking successfully.

The automation system will help the bank save approximately LKR 11Mn annually. On the other hand, SLT Mobitel's integration of Robotic Process Automation (RPA) into its systems has yielded numerous benefits, including enhanced operational efficiency and improved service quality. The deployment of RPA bots has enabled SLT Mobitel to streamline various processes, thereby delivering superior service to their customers. In addition to that, RPA will make it easy to automate critical operational processes such as repetitive, rules-based tasks, data validation and collections, bulk process automation, comparison of data, and reporting. With SLT Mobitel's RPA solutions, enterprises will benefit from the increased efficiency of company processes, operational visibility, and optimized performance.

Finally, one of Sri Lanka's leading companies in the apparel sector, MAS Holdings, has also integrated RPA into their operational activities. This strategic integration has enabled MAS Holdings to streamline its processes, enhance operational efficiency, and improve overall productivity. According to Jayantha Peiris, the CIO of MAS Holdings, 'this has helped us save costs as well as utilize our manpower productively by re-allocating team members to more value-adding processes.

Benefits and Limitations

The benefits of RPA include enhanced customer satisfaction driven by improved productivity, effectiveness, and efficiency. RPA also bolsters capabilities and outcomes by reducing operational costs and accelerating process times. Furthermore, RPA enhances data quality, leading to an overall improvement in the quality of financial services. By integrating RPA into the financial system, organizations can minimize errors and risks while reducing reliance on the human workforce. Robotic Process Automation ensures smooth and faster process flows, enabling financial processes to operate with confidence. In today's competitive environment, businesses must adopt advanced technology to stay ahead and remain up-to-date.

Implementing RPA software involves significant risks, especially regarding the exchange of confidential data amidst contemporary cyber threats. Data breaches can severely impact the organization. Regular updates and maintenance are crucial to prevent errors, system damage, and data loss.

Since RPA operates on predefined data, incorrect human input can lead to inaccurate results, and unexpected data can cause errors. Effective implementation requires careful planning, addressing integration complexity, ensuring data quality, adapting the workforce, and managing costs. When used alongside AI initiatives, RPA can enhance data management, improve AI outputs, reduce manual intervention, and drive efficiency and innovation.

Finally, in a rapidly changing world, adoption of technology like Robotic Process Automation (RPA) is essential for efficiency and accuracy in a country like Sri Lanka that is still developing in terms of technology. These technologies are likely to replace human labor across various sectors due to their many benefits. In particular, streamlining financial processes with RPA can significantly improve efficiency and accuracy, which are critical to maintaining customer trust and organizational success. Implementing RPA in financial services is a visionary decision that ensures improved reliability and customer trust. When combined with AI, RPA drives significant innovation and operational efficiency, enabling organizations to adapt and thrive in a dynamic environment. This collaboration is critical to maintaining a competitive edge and achieving long- term success in the financial sector.

"The robots are coming. They're going to take your jobs. But they're also going to make your life better."

-Jamie Dimon, CEO, JPMorgan Chase (highlights the potential for job displacement but also improved quality of life)

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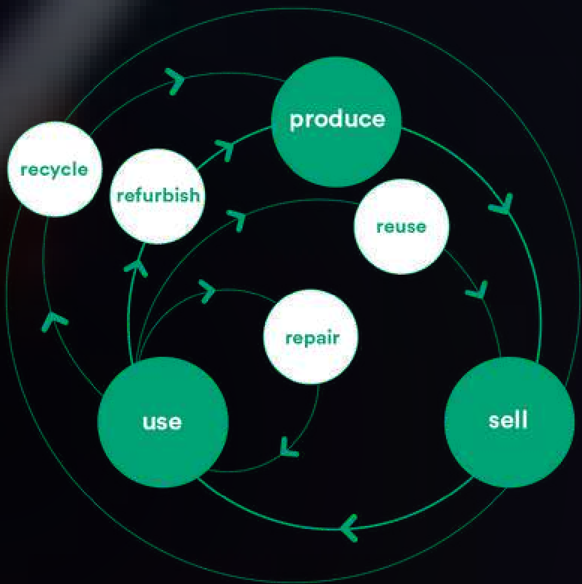
CIRCULAR ECONOMY

CIRCULAR ECONOMY

The circular economy is a system where materials never become waste and nature is regenerated. In a circular economy, products and materials are kept in circulation through processes like maintenance, reuse, refurbishment, remanufacture, recycling, and composting.

Ellen Mcarthur
Foundation

The concept of a circular economy has gained significant traction in recent years as a promising industrial model to achieve sustainability. Once a fringe topic, it is now recognized by policymakers, businesses, and environmental activists alike as a critical framework for the future. However, limiting the definition of a circular economy to merely the "reduce-reuse-recycle" approach can oversimplify its broader implications. To grasp its full potential, it's essential to understand what the circular economy truly represents for the various actors within an economy.



In a circular economy, products are intentionally designed to be more durable, repairable, and recyclable rather than destined for disposal after use. Consumers shift toward shared, leased, and rented goods rather than outright ownership. Meanwhile, businesses adopt circular business models, focusing on "product-as-a-service" offerings, where customers pay for the service provided rather than the product itself.

Recognizing the impact of this system requires us to not only comprehend its mechanisms but to also appreciate the significance of this economic transformation.

IMPORTANCE OF SHIFTING TOWARDS CIRCULAR ECONOMY IN CONTEXT OF SRI LANKA

Sri Lanka's need for a circular economy can be categorized into two areas,

1. *A nation towards self-efficacy and economic stability*
2. *A nation towards sustainability*

As noted by economist Joseph E. Stiglitz and Ira Regmi (2022), "Over the last couple of years, the world has experienced the highest levels of inflation in more than four decades." One of the main reasons for inflation is not an increase in aggregate demand but rather supply chain disruptions driven by geopolitical tensions. This is particularly relevant to Sri Lanka, an import-dependent nation, which needs to reduce its reliance on imports to enhance economic stability. The circular economy can contribute to this goal by increasing operational efficiency and reducing dependency on external resources.

Moreover, Sri Lanka's commitment to achieving net-zero carbon emissions by 2050 demonstrates the nation's dedication to becoming a green economy. The path to achieving this goal lies in embracing a circular economy, particularly through efficient waste management and the development of renewable energy sources.

However, transitioning to a resilient circular economic system requires careful planning and coordination among various economic actors.

TRANSFORMING FROM LINEAR ECONOMY TO A *CIRCULAR ECONOMY*

The linear economic model-

"take, make, consume, throw away"

-originated during the Industrial Revolution and led to mass production. While this model transformed the world, it also neglected environmental well-being, causing significant harm to the planet and its inhabitants.

In contrast, the circular economy is based on three core principles:

- **Designing Out Waste and Pollution**

Products are designed with innovation in mind, aiming to eliminate waste and pollution throughout the production process. This principle also encourages the development of products that are healthier for both people and natural ecosystems.

- **Keeping Products and Materials in Use**

The circular economy promotes designing products for durability, reuse, remanufacturing, and recycling to keep materials circulating at their highest value for as long as possible.

- **Regenerate nature**

Regenerating nature in simple terms can be interpreted as, "We have to give back what we have taken from nature and it regenerates to provide us back", using biodegradable materials in production which eventually goes back to nature and regenerates. Circular economy avoids the use of fossil fuels and non-renewable energy. By preserving and enhancing renewable resources, it returns valuable nutrients to the soil to support regeneration and actively improve the environment.

As the circular economy's motto suggests, ***"Nothing is lost, everything is transformed."*** This approach aims to align industry with nature, promoting continued prosperity without environmental degradation.

Circular Transformation takes in effect to several factors such as technology, capital investments, and adoptive mindset of actors, etc.

HOW RETHINKING FINANCIAL PRACTICES CAN HELP ATTAIN A CIRCULAR ECONOMY

Analysis by Bocconi University of 200+ listed European companies across 14 industries has shown that the more circular a company is, the lower its risk of defaulting on debt, and the higher the risk-adjusted returns of its stock.

It is evident that circular economic practices itself adds value to the business value chain, so there is a dire need of investments and government subsidy policies to the growth of circular economy based technologies and startups.

Implementation of circular economy innovation units in financial sector institutions, so that they can cater the financial needs and provide expertise for startups to navigate in the market. And creating economic and financial models to analyze and understand how circular economic activities behave and with in-depth understanding providing insurance and financial solutions.

Rethinking and implementing financial practices curated to the circular economy will help to build technologies and startups sound and soon. Let's look at 2 industries where companies are contributing to the circular economy and profiteering from their operations.

Real world case studies of companies engaging in circular economic activities.

Agriculture, Nun-well farm, Isle of Wight - UK

Nun-well farms is an agricultural startup by two entrepreneurs who are farming on 125 acres of land with Cattles, chickens and pigs. Nun-well farm founders have designed their supply chain in a way that is regenerative and nature first approach. Eliminating pesticides and herbicides in their supply chain and using a technique called "Mob Grazing" or "Adoptive Mob Grazing" which have resulted in enormous growth in their business.

Nun-well farm faces some challenges in regarding capital funding and infrastructure development to cater their growth needs, hence Nun-well farm founders claim sufficient support from government also can help achieve their goals in achieving a fully functional circular value chain.

Banking & Finance, Intessa San Paulo, Italian Bank

Intessa San Paulo Bank provides following services to their clients,

- Credit and preferential financing for startups and businesses already in the circular economy space. Low interest loans compared to other finances.
- Circular Economy Desk - which is a technical support team for clients who want to transform into a circular value chain business.
- ESG advisory team and Circular Economy Lab offers consulting and effective financial products after a curated analysis and discussion with founders.

The bank also faces challenges in this space such as huge capital injection for infrastructure which bank claims is a long-term successful strategy but a negative yield in short term, hence also lots of discussions and considerations which takes a lot of time since unavailability of data and infrastructure for speed processing.

In conclusion, circular economic activity should be perceived as a relationship between nature and humanity which takes regenerative purpose in every economic activity.

In the context of Sri Lanka. Continued efforts to educate, engage, and advocate to acknowledge this transformational concept widely is a necessary step towards a future where we value basic principles of nature in production, consumption and distribution.

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FINANCE OUTLOOK

THE FUTURE OF PAYMENT SYSTEMS

FROM CASH TO CRYPTOCURRENCIES

THE FUTURE OF PAYMENT SYSTEMS

FROM CASH TO CRYPTOCURRENCIES

Any system used to settle financial transactions by transferring monetary value is called a "payment system". The system consists of institutions, payment instruments such as cheques and payment cards, people involved in the payment process, rules, procedures, and technologies that enable the exchange of value. Earlier, there was a barter system, and in this information age, cheques, electronic payments, and digital money like cryptocurrencies have become the options for payments.

Payment system facilitate transactions, both domestic and international. With the advancement of technology, individuals can do now complete their transactions in a few seconds through their mobile device. This proves that currency has come a long way since the days when our ancestors primarily exchanged goods and services. So, let's see how currency evolved.

The Evolution of *Currency*

In the past, there was a self-sufficient economy where people provided their own needs rather than depending on others. The barter system was born out of the surplus of production generated through specialization. People wanted to share their products with others in the hope of consuming new goods. However, there was no medium of exchange, so this barter system was the only way to exchange their surplus at that time. But it often created inefficiencies and unbalanced trade systems. The double coincidence of wants, the indivisibility of goods, and the absence of a common measure of value were some of the problems in this system. So, they had to decide on a medium of exchange to overcome these drawbacks.

From 9000 B.C. to 6000 B.C., commodities such as tobacco, cocoa, seashells, and salt were often used in exchange because they possessed high intrinsic value. This value depended on the rarity of these materials. Later, commodity money became outdated due to the perishability of commodities and their indivisibility. Therefore, they wanted something to accumulate wealth.

From 1200 B.C. to 118 B.C., metallic money like gold, silver, and copper was used. This time instead of giving up, they modified metallic money to solve the problem.. With the modification of metal, the world's first coins were minted in ancient Lydia (modern Turkey). Figures from Greek mythology are imprinted on the faces of these coins.

As for the first paper money, created in China during the Song Dynasty in the 11th century AD. Before this their main currency was metal and copper. Around 900 CE, they issued trade transaction receipts for ease of portability. They then granted a monopoly of issuance to a few shops, and in the 1020s, the government took over sole authority to issue receipts.
As we all know, these notes and coins are the currency authorized by the respective country's government. Although there are many alternatives today, this medium is still valid. Other alternative means of exchange are bank money, such as current account cheques and electronic money, such as credit cards, debit cards, prepaid cards, microchips, or mobile money.

Issues with Traditional Currencies

Money has come this far, seeking solutions to the endless problems arising from the medium of exchange. It is clear that the barter system was inefficient. In addition, the traditional currencies also have many security and validity issues.

Most currencies depreciate due to inflation which decreases people's purchasing power. For example if an apple once cost LKR 50, ten apples could be bought for LKR 500. However, due to inflation, the price of apples increased to LKR 100, meaning people can now buy only 5 apples for LKR 500. This shows that the value of money has decreased. Furthermore, the presence of centralized authority makes currency resilient during economic crises, financial instability, and geopolitical tensions. As a result, consumers are afraid to spend in such an unstable economy ultimately leading to decreased business profits, and unemployment rises.

The whole world is struggling to find the right currency to overcome these problems, and it is certain that CRYPTO-CURRENCY can overcome those problems to some extent.

The Evolution of *Cryptocurrencies*

" When it comes to the future of payment, Cryptocurrency plays a huge role. In this information age, this is not a weird topic ".

Cryptocurrency is a digital currency, where people invest their surplus money and reap the benefits. It often manifests as intangible electronic transfers. In 2008, the first whitepaper regarding "Bitcoin: Peer-to-Peer Electronic Cash System" was issued by Satoshi Nakamoto. The identity of this person is still a mystery. Bitcoin has a decentralized nature and is neither issued nor governed by any government authority.

BITCOIN IS NOT THE ONLY TYPE OF CRYPTOCURRENCY;IT IS LIKE THE GRANDFATHER OF ALL OTHER CRYPTOS,

such as Ethereum (ETH), Cardano (ADA), Solana (SOL), Binance Coin (BNB), Dogecoin (DOGE), etc.

Bitcoin is the world's first crypto unit, owned by around 50 million people. This crypto unit marks the beginning of the future of payments. On January 12, 2009, the first transaction took place, just 3 days after the initial open-source bitcoin client was released online. The mysterious creator, Satoshi Nakamoto, transferred 10 bitcoins to Hal Finney, an American software developer. On May 22, 2010, the first commercial transaction was made: 10,000 BTC for two large pizzas. This illustrates how far Bitcoin has come.

Bitcoin and all the other cryptocurrencies are used as stores of value, which is one of the characteristics of money. Consequently, investors consider it digital gold. However, the challenge is its volatile price, which fluctuates due to limited supply and high demand. This volatility is why Bitcoin is considered a high-risk investment and attracts both speculative traders and long-term investors. However, this same volatility offers the potential for significant gains for those who invest wisely.

The security of over 580 million cryptocurrency holders relies on a high-security system called "Block Chain Technology." It leverages cryptographic algorithms to secure transactions and data within the network. Cryptocurrencies holders have their own code to ensure the safety of their money. The system managed by Crypto Currencies Companies splits this single code into multiple codes, stored across many different computers. A piece of code is a node within the blockchain network. Apart from maintaining the public ledger, the cryptocurrency company keeps track of all crypto units and their owners and determines new crypto units. This system has become an essential cybersecurity tool for protecting sensitive information from hackers and other cybercriminals. It also encourages future payments to be made without delay.

Generally, people use notes and other electronic money for their transactions and business purposes. Businesses treat these as assets, and the same applies to crypto. For some, cryptocurrency is an investment; for others, it is a property; and some may say it a commodity. Overall, it is an intangible asset. According to IAS 38, an intangible asset is declared to be a non-monetary asset that can be identified without physical substance. The value of cryptocurrencies is based on consumer interest in buying them. If many people buy crypto, the value of the respective crypto unit increases. The value of this will not drop unless they stop buying crypto. Currently, the global cryptocurrency market cap is around $2.44 trillion, a 95.88% rise compared to one year ago. Out of that, Bitcoin holds $1.24 trillion, representing a dominant 50.76% share of the total crypto market cap.

So, where can we purchase crypto? This question often comes to mind. The online marketplace where people can buy and sell digital currencies is called "Cryptocurrency Exchange." It works similarly to stock exchanges. Centralized exchanges (CEXs) such as, are managed by a central authority or company that acts as an intermediary to help conduct transactions. Binance is the world's leading cryptocurrency exchange, offering a wide variety of cryptocurrencies and advanced trading features, with a 48.5% market share of total spot trading volume in Q1 2024.. A Decentralized Exchange (DEX) is a peer-to-peer marketplace where transactions occur directly between crypto traders. Uniswap and Sushiwap are the most popular DEXs.

The global financial media website "Investopedia," which provides investment dictionaries, advice, reviews, ratings, and comparisons of financial products, listed the best crypto exchanges and apps for July 2024 as follows,

- Best for low fees and best for experienced traders: **Kraken**
- Best for Beginners: **Coinbase**
- Best mobile app: **Crypto.com**
- Best for Security: **Gemini**
- Best for Altcoins: **BitMart**
- Best for Bitcoin: **Cash App**
- Best Decentralized Exchange: **Bisq**

E-wallets show some similarities to exchanges when dealing with digital money. Both allow users to access them via mobile apps, desktop applications, or web platforms. However, the key difference is that the e-wallets keep your digital assets, while exchanges facilitate trading. E-wallets help keep traders' private keys safe and allow them to send and receive cryptocurrency securely. Crypto wallets are divided into a software wallets and a hardware wallets based on how they store digital assets. A hardware or cold crypto wallet is the most secure way to store crypto offline, keeping it out of the reach of hackers and avoiding any physical damage.

Ledger and Trezor are common hardware wallets, while MetaMask, Trust Wallet, and Electrum are examples of software wallets. The famous crypto tax software called "CoinLedger" listed the 10 best cryptocurrency wallets in May 2024 as follows:

- Best for beginners: **Coinbase Wallet**
- Best for Ethereum: **MetaMask**
- Best for cryptocurrency selection: **Guarda**
- Best for DeFi staking: **Crypto.com DeFi wallet**
- Best for Binance and Binance. US users: **Trust Wallet**
- Best for customer support: **Exodus**
- Best for easy account recovery: **ZenGo**
- Best hardware wallet overall: **Ledger**
- Best open-source hardware wallet: **Trezor**
- Best hardware wallet for price: **KeepKey**

One of the leading statistics companies called "Statista," has done a series of surveys on cryptocurrency and FinTech highlighting how advancements in technology and financial innovations have made digital payments smoother and more secure than ever before. The company has prepared a comprehensive overview of the Cryptocurrency market, including separate reports on Bitcoin, Ethereum, Solana and research on digital payment in various countries. Their latest report, "Crypto pulse check: Q4 2022," was published in February 2023. This research details how digital currencies are spreading among users and attracting investors covering sub-chapters such as users, market cap, trading, exchange, wallets, energy, and fraud. These surveys suggest that the future of payment lies in the stability of cryptocurrencies.

Impact of Cryptocurrencies on the World Economy and New Trends

Everyone wants to secure their money from depreciation or devaluation. Crypto allows unbanked individuals to access digital wallets and provide easier access to credit and bank transfers compared to traditional banking facilities. Assisting with remittances and cross-border transactions is another positive impact of crypto. Generally, money transfers from one country to another through banks or services like Western Union take a few days to complete. Crypto can facilitate these transfers more cheaply and efficiently, allowing people to send money within minutes. The recipient can then convert the cryptocurrency to their local currency using an exchange or wallet service.

Cryptocurrencies have opened new paths for investment. The powerful blockchain technology-underlying crypto trading-inspires innovations across various sectors, Particularly in finance and banking, healthcare, supply chain management. This new technology has the potential to solve many existing issues and offers greater security and transparency than conventional methods. Moreover, it empowers the economy by enabling individuals to conduct their transactions without relying on intermediaries.

Here are the crypto trends currently shaping the crypto market;

- **A bull market emerges after the approval of EPFs (exchange-traded funds).**

The SEC's approval of EPFs can trigger a bull market by allowing EPF investors to invest in Bitcoin at a lowest cost without the need to navigate a crypto exchange. Hence, the demand for crypto has increased.

- **Political meme coins**

These are like other novelty cryptocurrencies, with high investment risks. Investors often expect quick returns from these coins. Currently, meme coins are among the top performing sector in the crypto market, particularly as the US presidential election approaches.

Meme coins, satirizing political figures like Donald Trump and Joe Biden, have gained popularity among crypto traders. "As of June 4, 2024, the Trump-inspired meme coin $TRUMP has gained more than 5,400% year-over-year. Meanwhile, $BODEN — a meme coin that misspells Joe Biden's name — has gained nearly 600% since its launch."

(Abstracted from technopedia.com)

- **DePIN (Decentralized Physical Infrastructure Networks)**

This is drawing significant interest from investors due of its compatibility with artificial intelligence. The blockchain protocol facilitates the maintenance and operation of physical infrastructure in an open and decentralized manner, aiming to enhance decision-making processes across the cryptocurrency market.

- **The intersection of AI and crypto**

AI applications in crypto projects represent another emerging trend. Investors are particularly interested in projects that:

I. Projects that support AI operations

II. Projects that create AI solutions and provide AI services

In addition to the above, the following are some other trends in cryptocurrency.

- Funding, Mergers, and Acquisitions in the Crypto Market
- Increasing Regulation of Cryptocurrency and Exchanges
- Crypto’s Growing Climate Impact
- Real-world assets turn digital with blockchain technology.
- Global Officials Explore Central Bank Digital Currency (CBDC)

Issues and Challenges of *Cryptocurrency*

The proliferation of cryptocurrencies brings various problems and challenges. Investing in crypto involves significant risk, which can lead to economic instability. Additionally the crypto market may facilitate money laundering and other illegal activities due to its decentralized nature and regulatory uncertainties. Many banks and financial institutions remain hesitant to engage with crypto due to Crypto's lack of intermediaries in transactions and the regulatory uncertainty and inherent risks. As mentioned earlier, cryptocurrency facilitates cross-border transactions, and criminals use this crypto to carry out illegal activities. Due to the decentralized nature of cryptographic transactions, damage to any physical device results in data loss. Those are the few issues with cryptocurrency.

In conclusion, *the payment system compromises the payment instruments, people, rules, and procedures that enable exchanges. Traditionally, anything generally accepted in exchange for goods and services has been used as payment. The evolution of this system, from bater to digital currency, reflects ongoing innovations in how we exchange value.*
Investing in crypto is complex and requires through research, including understanding whitepapers, blockchain technology, cryptography, suitable exchanges, and e-wallets. The study of new trends, such as AI integration and DePIN, reflect the dynamic nature of this digital asset class. The future stability and integration of cyrptocurrencies into the global economy will depend on continued development and regulation.

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REVOLUTIONIZING FINANCIAL MODELING

HARNESSING THE POWER OF QUANTUM COMPUTING

FINANCE
OUTLOOK

REVOLUTIONIZING FINANCIAL MODELING

HARNESSING THE POWER OF QUANTUM COMPUTING

Quantum computing represents a significant leap from classical computing. Traditional computers use bits as the smallest unit of data, which can be either 0 or 1. In contrast, quantum computers use qubits, which are capable of existing simultaneously in multiple states (both 0 and 1) due to the principles of superposition and entanglement. This fundamental difference allows quantum computers to process vast amounts of data simultaneously, solving complex problems much faster than classical computers. The potential of quantum computing lies in its ability to perform parallel computations, making it ideal for tackling problems involving large datasets and intricate calculations.

What Quantum Computing in Finance

In the realm of finance, the transformative capability of quantum computing holds promise for revolutionizing key areas such as financial modelling, risk assessment, and portfolio optimization. Traditional financial models, while robust, often struggle to account for the complex, dynamic nature of modern markets. Quantum computing, with its unparalleled processing power, can address these limitations. For instance, quantum computers can handle complex simulations and models more efficiently than classical computers, leading to more accurate financial forecasts and valuations. This heightened accuracy is crucial for making informed investment decisions and managing financial risks.

Quantum algorithms, which utilize the principles of superposition and entanglement, can analyse vast datasets to identify patterns and correlations that classical computers might miss.

This capability is particularly beneficial for enhancing risk assessment models. By uncovering hidden correlations and trends within large datasets, quantum computing can provide deeper insights into market behaviour and potential risk factors.

This enhanced analytical power can lead to more sophisticated risk management strategies, allowing financial institutions to better anticipate and mitigate risks. Furthermore, quantum computing can optimize investment portfolios by evaluating a broader set of potential combinations and strategies in real-time. Classical computers, limited by their binary nature, often rely on approximations and heuristics to tackle complex optimization problems. Quantum computers, however, can explore a vast solution space simultaneously, identifying optimal portfolio allocations with greater precision. This real-time optimization can improve decision-making processes, enabling investors to adapt quickly to changing market conditions and capitalize on emerging opportunities.

For instance, financial institutions leveraging quantum computing could enhance their risk management by identifying and mitigating risks more effectively, leading to better financial stability and returns. A quantum enabled risk assessment model could analyse market data to predict potential downturns with greater accuracy, allowing firms to adjust their strategies proactively. Similarly, quantum-enhanced portfolio optimization could help investors construct diversified portfolios that maximize returns while minimizing risk, even in volatile markets.

Benefits & Challenges

While the benefits of integrating quantum computing into financial modelling are significant, they are not without challenges. Quantum computers are still in their developmental stages, and building stable, scalable quantum systems remains a significant hurdle. The hardware required for quantum computing is highly sensitive and requires precise control of quantum states, which is challenging to achieve and maintain. As a result, current quantum computers are relatively small and prone to errors, limiting their practical applications. Developing algorithms that can effectively leverage quantum computing's capabilities is also complex and requires specialized knowledge.

Quantum algorithms operate fundamentally differently from classical algorithms, necessitating new approaches to problem-solving. Researchers and developers must possess a deep understanding of both quantum mechanics and computational theory to create effective quantum algorithms. This complexity can slow the pace of innovation and adoption in the financial sector. As quantum computing evolves, ensuring the security of sensitive financial data remains a critical concern. The very power that quantum computing holds to break complex cryptographic codes poses a threat to current data security paradigms. Classical encryption methods, which rely on the difficulty of solving certain mathematical problems, may become obsolete in the face of quantum computing. Ensuring robust encryption methods that can withstand quantum attacks is imperative for the financial sector. Postquantum cryptography, which aims to develop encryption techniques resistant to quantum attacks, is an active area of research, but widespread implementation is still in progress.

Future Directions

Despite these obstacles, the future of quantum computing in finance holds exciting possibilities. Advancements in machine learning through quantum computing could lead to more accurate predictions and insights. Quantum machine learning algorithms, which combine the strengths of quantum computing and artificial intelligence, could revolutionize data analysis and predictive modelling.

Quantum computing could also revolutionize cryptographic techniques, ensuring more secure financial transactions. Quantum key distribution, a method of secure communication that leverages the principles of quantum mechanics, promises unbreakable encryption. This technology could protect sensitive financial data from eavesdropping and cyber-attacks, enhancing the overall security of financial systems. Moreover, the speed and efficiency of quantum computing could enable real-time financial analysis and decision-making, providing a competitive edge in the fast-paced financial market. In high-frequency trading, where decisions must be made in fractions of a second, quantum computing could analyse market conditions and execute trades faster and more accurately than ever before. This capability could lead to significant gains for traders and investors who can capitalize on market inefficiencies and fleeting opportunities.

Quantum computing has the potential to fundamentally transform financial modelling and decision-making processes. By improving accuracy, speed, and complexity, quantum computing can revolutionize risk management, portfolio optimization, and financial analysis. Despite the challenges, the future of quantum computing in finance is promising, with significant opportunities for innovation and growth. As the technology continues to evolve, staying informed about its advancements and exploring its applications in finance will be crucial for leveraging its full potential.

In conclusion, while the road to widespread adoption of quantum computing in finance is still long and fraught with challenges, the potential rewards are immense. Financial institutions that invest in understanding and developing quantum technologies today will be well-positioned to reap the benefits of this revolutionary advancement in the years to come. The integration of quantum computing into finance could usher in a new era of precision, efficiency, and security, transforming the industry and setting new standards for financial modelling and decision-making.

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DIGITAL TRANSFORMATION IN INSURANCE

INNOVATIONS & CHALLENGES

DIGITAL TRANSFORMATION IN INSURANCE

INNOVATIONS & CHALLENGES

Insurance means protection from financial loss. It is a form of risk management primarily used to hedge against the risk of a contingent or uncertain loss. Sri Lanka Insurance was incorporated by a special act of parliament in 1961. It was formed by nationalizing the insurance industry, which was run by various local and foreign private companies. It maintained a monopoly in the insurance industry until the establishment of the National Insurance Corporation in 1980.

In 1988, the insurance field was liberalized by permitting private companies to enter the industry. In 1993, with the objective of providing greater autonomy to operate in this environment, the corporation was converted to a fully government - owned limited liability corporate entity. It was subsequently sold to the "Distilleries - Spence Consortium"under the government privatization plan in April 2003. As such, it became a subsidiary of Distilleries Company of Sri Lanka Hospitals Corporation PLC, which owns and operates Apollo Hospitals Colombo, a 350 bedstate of art healthcare facility.

The Sri Lankan Parliament's Committee on Public Enterprises (COPE) revealed that the privatization process of Sri Lanka Insurance Corporation was irregular in 2007. A case was filed in the Supreme Court challenging the privatization of Sri Lanka Insurance Corporation, citing the revelations of this report. On 4 June 2009, the supreme Court of Sri Lanka annulled the sale of Insurance Corporation in 2003. As such, Distilleries company of Sri Lanka PLC was ordered to return its stake in Sri Lanka Insurance to the government treasury. The treasury was ordered to pay the purchase consideration back to Distilleries Consortium.

Insurance begins bottomry contracts were known to merchants of Babylon as early as 4000-3000 before the common Era. Started under a bottomry contract, loans were granted to merchants with provision that if the shipment was lost at sea the loan didn't have to be repaid. The interest on the loan covered the insurance risk. Ancient Roman law recognized the bottomry contract in which contract of the agreement was drawn up and funds were deposited with a money.

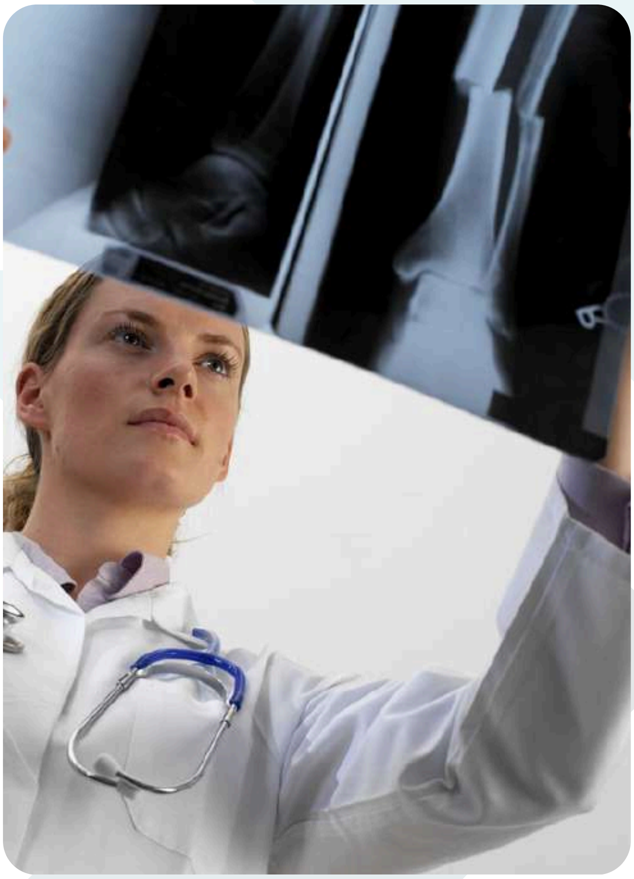
> An entity that provides insurance is known as an insurer, an insurance company, an insurance carrier or an underwriter. A person or entity who buys insurance is known as an insured or as a policyholder.

The evolution of insurance traces the development of risk insurance, particularly for cargo, property, death, automotive accidents, and medical treatment. In addition, the insurance industry hopes to eliminate risks, spreads risks from individuals to the greater community and providing long-term finance for both the public and private sectors.

In exchange for the insurer's pledge to repay the insured in the case of a covered loss, the insured assumes a guaranteed and known- typically minor - loss in the form financial, but it must be reducible to financial terms, and it usually entails an insurable interest formed by ownership, possession, or a prior relationship. The basic concept on insurance distribution of risk among many people is as old as humanity itself.

Countries and their citizens need to spread risk among large numbers of people and to move risk to entities that can handle it. This is how the insurance industry emerged a special act of Parliament in 1961 also formed by nationalizing the insurance industry which was run by various local and foreign private companies.

Insurance became more sophisticated in 17 th century, and specialized varieties developed. In the beginning there were various types of Insurances. Property Insurance- Property Insurance is insurance that protects the physical objects and equipment of a business or house against loss due to theft, fire or other disasters. Generally, property insurance covers the risks of all the damages caused by fire, theft, wind, smoke, snow, lightning etc. Aa we know it today, property insurance can be traced to the Great Fire of London, which in 1666 devoured more than 13000 houses. The first fire insurance company in the world, the " Hamburg fire Office" and the oldest existing insurance enterprise available to the public, having started in 1676. In the wake of this first successful venture, many similar companies were founded in the following decades. Initially, each company employed its fire department to prevent and minimize the damage from conflagrations on properties insured by them. They also began to issue fire insurance marks to their customers.



These would be publicly posted above the property's main door, alloying the insurance provider to positively identify residences that had purchased insurance from them. Business Insurance- Business Insurance protects companies from financial losses caused by occurrences that occur in the normal course of business. There are many types of insurance for businesses including coverage for property assess their insurance requirements based on potential risks, which differ depending on the sort of environment in which they operate. Accident Insurance -Accident insurance pays you a one - time lump- sum payment that you can use as you want for certain accidents like concussions or broker bones. It's a supplemental plan, which means it's meant to be used in addition to not as a replacement for, normal health insurance. Life Insurance - The first life Insurance policies were taken out in the early 18 th century.

The original life insurance plan required each member to pay a fixed annual payment pen share on one to three shares, depending on their age, which ranged from twelve to fifty - five years old. At the end of the year, a portion of the amicable contribution was divided among the wives and children of deceased members, and it was in proportion to the number of shares the heirs owned. The first life table was written in 1750, necessary mathematical and statistical tools were in place for the development of modern life insurance. The first actuarial appraisal of liabilities was performed in 1776, and the first reversionary bonus (1781) and interim bonus 918090 were awarded to its members.

It also used regular valuations to balance competing interests. Sought to treat its members equitably and the Directors tried to ensure that the policyholders received a fair return insurer transferring portions of their risk portfolios to other parties through some type of agreement to lessen the chance of paying a big obligation arising from an insurance claim is known as reinsurance. The ceding party is the party that diversifies its insurance portfolio. There is more verity insurance, Income protection Insurance, Casualty Insurance, Burial Insurance.The insurance industry has witnessed substantial changes over the last decade, navigating challenges sch as historically low- interest rates, increased claims due to the pandemic, and evolving customer expectations.

The Insurance industry has witnessed substantial changes over the last decade, navigating challenges such as historically low- interest rates, increased claims due to the pandemic, and evolving customer expectations. In response, insurers are embracing digital transformation to enhance product development, offer seamless digital experience and provide 24/7 support. In the insurance sector, this includes incorporating technologies like Artificial Intelligence, big data, the Internet of Things (IoT) and robotics.

Digital transformation creates numerous opportunities for the insurance sector and answers to the challenges the industry faces. From using scanners and algorithms for precise pricing in the late 1990s to employing data analytics today, the insurance sector has continuously adapted to digital technologies. Factors customer expectations have spurred this transformation, with a focus on customer experience, data- driven decision - making, and innovation product offerings.

DIGITAL TRANSFORMATION INVOLVES LEVERAGING TECHNOLOGY TO INNOVATE AND IMPROVE BUSINESS PROCESSES, PRODUCTS AND SERVICES.

Furthermore, companies must adapt their business models to the changing customer expectations, such as the ever-growing appetite for online interaction as well as personalization of the offer. This is why the insurance market is transforming towards the physical, combining the physical and digital aspects of custom insure communication. At the same time, the insurance sector faces the challenge of securing data against growing cyber threats. Digital transformation is also an opportunity to automate processes, which can help reduce operating costs and improve efficiency. It also enables the introduction of modern technologies, such as AI, cloud - based CRM Systems, or advanced document-processing software, all of which increase the operational business efficiency of the business. By using data analytics, companies can collect and analyze insurance - related information, extracting valuable intel and draw conclusion that work to the company's advantage.

Implementing customer - centric strategies allows insurers to tailor services to the needs of their customers and build their trust in a better way. For a digital transformation in the insurance business to be smooth and effective. It is critical to adopt operating methods that are adjustable to rapid changes. It is necessary to use new technologies to achieve that, integrating cloud - based or distributed ledger technologies. Under the need for Digital Transformation in the insurance Industry, it is essential for insurers to remain competitive in a rapidly changing market. With shifting consumer expectations, insurers must digitize products and processes to improve customer engagement, streamline operations, and foster growth.

For good understanding, furthermore, paying attention for new insurance trends to keep an eye on in this year (2024). From geopolitical tensions and increased vulnerability to cyberattacks, data breaches and climate change, insurance companies will continue to be hard-pressed to predict, quantify and address every financial and operational consequence that's likely to occur. As a result, insurers that remain nimble and embrace uncertainty will continue to find success one unanticipated event at a time. That said, these wins will depend largely on an insurer's ability to proactively leverage new technology, customer interactions, product design innovations and aligned business strategies. There are five key trends that insurance leaders should keep an eye on in 2024 to stay ahead of the curve and adapt to the ever- changing risk environment that defines the industry.

Artificial Intelligence Matures -Generative AI and other innovative tools will continue to provide insurers with significant opportunities to enhance their performance through improved operational efficiency, new analytical insights into potential risk exposures and underwriting opportunities, and more flexible and responsive product development and customer interactions. Concurrently, watch for industry regulators to continue to voice concerns over insurer use of these advanced technologies given trust issues that have defined early deployments of AI by business of all types, including the potential for unintended bail to result against legislatively protected classes. AI, machine learning large learning models and derivative applications will continue to mature and revolutionize insurance marketing and sales, rating and pricing, underwriting, claims processing, fraud management and other functions.

At the same time, expect insurance regulators to closely monitor and tighten controls on AI usage within these functions and others. Consumer expectations change - The direct-to-consumer distribution trend will continue to impact all industries, compelling insures to rethink existing operating models, products and services. More and more, younger insurance purchasers are demanding convenient online products from established carriers. As a result, traditional providers will continue to migrate their operations to new online facilities that will increase access, speed and end to end customer service and better position them to complete with digital first startups. Additionally, the market for embedded insurance, coverage offered concurrent with the purchase of products or services, such as expected to continue to grow in 2024.

CYBER INSURANCE
Demand Rises

The risk and costs of cyber beaches and ransomware attacks are expected to grow geometrically.

According to IBM, the average cost of a single data breach in 2023 was about $ 4.5 million.

Increased adoption of new technology, such as AI, will only increase these threats in 2024 and drive - up demand for cyber insurance protection products.

In response, insurers will be challenged to deliver needed coverage at a reasonable cost, especially given the reality that the nature and scale of potential losses are still difficult to predict. The proliferations of cyber threats and attacks will continue to challenge the insurance industry to develop new and effective protection products. But as the industry has realized with the National Flood Insurance program, a comprehensive solution for cyber will require a broad public - private partnership. Immerging economies continue to grow-In the past decade, economic growth and an emerging middle class in Latin A metica, Asia and Africa have driven demand for more consumer goods and services.

These developments will continue to provide insurance companies with new opportunities to deliver life and personal property protection products and services. Even more, rapid technology adoption in these fast-growing markets means consumers in these regions will be able to access convenient, digital direct to consumer offerings. Climate change and ESG Compliance Evolves. Also known as Insurtech, digital insurance is a dynamically developing area in the insurance sector that brings numerous benefits to both insurance sector that brings numerous benefits to both insurance companies and customers.

WHILE THE BENEFITS OF DIGITAL TRANSFORMATION ARE EVIDENT, INSURERS FACE SEVERAL CHALLENGES.

“The insurance sector has a vast global market value that far surpasses the gross GDP of many nations, making it one of the largest industries in the world. The insurance industry plays a crucial role in the global economy, providing individuals and businesses a sense of security and stability against risk. However, insurers today face numerous challenge which are impacting their growth, profitability, sustainability, customer satisfaction and relevance. These have much to do with a changing technological landscape and shifting customer expectations. “

Let's see what the challenges are facing the insurance industry today and how insurers can overcome them.

Digital Disruption

The insurance industry is being disrupted by rapid technological advancements reshaping traditional business models and transforming customer expectations. The benefits of this digital revolution to the insurance industry are limitless, but insurance companies are also under pressure to provide their customers with a seamless and convenient digital experience. Many need help to keep pace with these technological changes. The rise of digital technologies such as AI, big data, block chain, and machine learning has led to the development of innovative insurance products and services.

However, insurers that are slow to adapt to these technologies are being left behind. The insurance industry's biggest challenge is to harness the power of technology to improve the customer experience and create new revenue streams. Insurance companies must invest in digital transformation to streamline operations, enhance data analytics capabilities, and leverage real - time customer insights to provide personalized products and services.

Regulatory compliance

Insurance companies must conform to a complex and ever-changing regulatory landscape which can be challenging to navigate. The regulations are often implemented at national and state levels, making compliance a resource-intensive process. Insurers must ensure that their policies and practices align with such regulations. If not they risk being fined or losing their license laws, consumer protection laws, and insurance industry regulations. As the regulatory environment becomes more complex, insurance companies need to invest in compliance tools and expertise to manage regulatory risks effectively. Non- compliance can also result in hefty fines, legal disputes, and reputational damage.

Climate change

Climate risk can strain local economies. This unfortunately, lead to market failures that have consequences for insurers and consumers alike. The effects of climate change are becoming increasingly apparent. Extended periods of drought, wildfires, and severe weather patterns like heavy rainfall, hurricanes, tornadoes, and floods are becoming more common in many parts of the world. These natural disasters can cause significant damage to homes, businesses, vehicles and crops, leading to a surge in the frequency and severity of insurance claims. The impact of climate change is not limited to property and casualty insurance either. It can also adversely affect anyone in reach of a wildfire zone Irrespective of the causes of climate change, insurers have to take preventative measures due to the possibility of incurring unprecedented losses. Some insurers have ceased providing specific forms of insurance coverage in particular areas of the world, while others have restricted the scope of their coverage options. Consequently, insurance premiums have increased, creating difficulties for consumers wo may be unable to afford them. This has resulted in some consumers purchasing policies with inadequate coverage, while others have chosen to go without insurance altogether.

Changing Customer needs

Consumers want personalized products and services with greater transparency and accessibility, fast and efficient claims processing and a seamless digital experience. They also demand more flexibility and convenience in their interactions with insurance companies. Insurance companies must adapt their products and services to be more customer centric to meet these changing customer needs. They need to leverage customer data to gain insights into customer preferences and behaviors and use this information to tailor their offerings. They must also invest in digital channels to provide customers with all touchpoints.

Cybersecurity Threats

The insurance industry is a natural target for cybercriminals dur to all the sensitive information insurers hold about their customers. Insurers are required to project this data from breaches and cyber-attacks. However, the increasing sophistication of cyber threats means that insurers must constantly Cybercriminals can often exploit vulnerabilities in insurance systems to steal sensitive data, money or intellectual property. Cybersecurity breaches can result in significant financial losses, reputational damage and customer mistrust require innovative solutions. Insurance companies should invest in digital transformation, compliance tools, cybersecurity measures, talent management programs and customer - centric strategies to overcome these challenges. By doing emerge as leaders in the new era of insurance.

In the insurance sector, digitalization places a strong emphasis on enhancing customer experiences, increasing operational profits, and preparing for future challenges. Leveraging digital platforms and algorithms, insurance companies can streamline and expedite the process, making it faster and far less cumbersome. Also. following digital trends, the insurance industry is witnessing direct customer reach through digital platforms or social media. Despite the challenges, it also presents fresh opportunities for establishing longer-term relationships, as investors often require ongoing operational support. Insurers are using social media platforms to engage with customers, gather feedback, and provide updates. Social media also plays a role in marketing and brand building for insurance companies.

Digitalization in insurance refers to the use of digital technology to enhance processes, products, and services within the insurance industry. It includes the adoption of various technologies to improve sales, management, and customer experience. A digital insurance policy allows customers to manage their insurance online, without the need for in-person appointments or document filing, utilizing technology-first operations Digitalized insurance policies offer benefits such as protection from physical damage or loss, simplified know-your-customer process, and ease of managing multiple policies on a single platform. Additionally, they provide speed, agility, easy accessibility, and a user-friendly interface, ultimately enabling the creation and implementation of newer and better services. Digital transformation in the insurance industry offers benefits such as convenience, personalization, faster claims processing, improved customer service, and increased transparency for customers. Additionally, insurers can streamline operations and enhance overall customer satisfaction through seamless digital experiences and advanced data analytics. Some examples of digital self-service tools in insurance are online customer service platforms, mobile apps, virtual assistants, and no-code development tools, which enable customers to manage policies, file claims, and interact with insurers at any time. As digital transformation reshapes the insurance industry, new business models and revenue streams are emerging, challenging the status quo and ushering in a new era of innovation. Companies like Tesla and Discovery are creating insurance ecosystems that bundle insurance with other products or services, leveraging partnerships to capture a significant market share.

Recognizing the value of partnerships with Insurtech startups, traditional insurance companies are joining forces to innovate and enhance their offerings.

Insurtech startups are using new technologies to create hyper-personalized products and streamline the claims process, posing a formidable challenge to traditional business models. The rise of Insurtech has compelled traditional insurers to rethink their strategies, adopt digital transformations, and thereby reach a broader audience. These new business models represent a paradigm shift in the insurance industry, moving away from the conventional approach and embracing a more dynamic, customer-centric, and technology-driven future. We traditional companies and Insurtech startups continue to forge partnerships and innovate, we can expect to see an even greater diversification of products and services that cater to the evolving needs of consumers.

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INNOVATIONS IN PERSONAL FINANCE APPS

WHAT TO EXPECT?

INNOVATIONS IN PERSONAL FINANCE APPS

WHAT TO EXPECT?

"The only difference between a rich person and a poor person is how they handle money"

-Robert Kiyosaki

This quote illustrates the significance of financial literacy and smart money management. Personal finance applications can be instrumental in enhancing financial literacy by offering tools and knowledge to support well-informed decision-making. The field of personal finance centres on an individual's financial decisions and activities; the ultimate goal is to achieve financial prosperity and meet personal financial objectives. Personal finance apps are innovative digital companions, crafted to simplify and elevate the art of managing finances. The evolution of personal finance applications reflects the advancement of financial technology. It began with desktop software in the 1980s-1990s, transitioned to web-based budgeting and aggregation in the 2000s, and reached its peak with the mobile revolution in the 2010s emphasizing convenience and personalization, marking a significant shift in the way financial services were delivered to individuals.

IMPORTANCE AND OVERVIEW OF THE ARTICLE

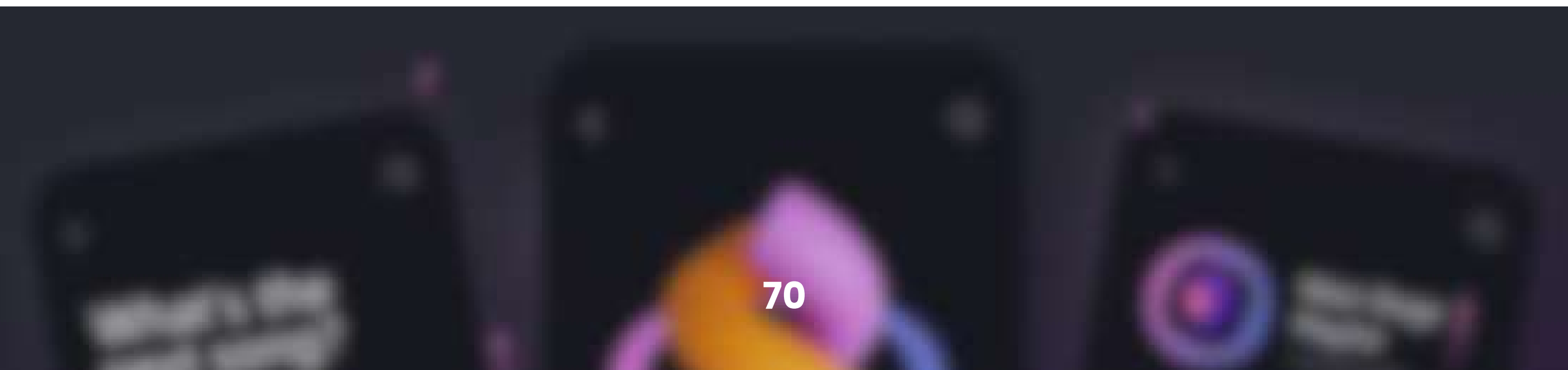
In the current fast-paced environment, effective management of personal finances has an utmost importance. The advent of personal finance applications has transformed the approach to money management for individuals, offering a diverse range of tools for seamless budgeting, tracking, and investment, all while prioritizing convenience and accessibility. This article explores the cutting-edge developments that we can expect in the realm of personal finance apps, offering a glimpse into how these advancements will shape our financial lives.

CURRENT TRENDS IN PERSONAL FINANCIAL APPS

Artificial Intelligence (AI) and Machine Learning (ML) are at the forefront of the most significant trends in personal financial apps. These technologies enable apps to provide highly personalized financial advice tailored to individual spending habits, income, and financial goals. The current selection includes a wide range of applications designed to address specific requirements, guaranteeing that there is a specialized tool available to achieve almost every financial objective.

AI-powered insights and automation enhance personal finance management through apps like Mint and eQapital.Focusing on user experience, YNAB (You Need a Budget) offers a unique budgeting method through an intuitive interface designed to engage users effectively. Betterment emphasizes comprehensive financial well-being through the provision of automated investment management alongside budgeting and goal-setting tools. SoFi prioritizes security by using multi-factor authentication and industry-standard encryption to safeguard user data. The emergence of "super apps" is exemplified by PayPal, which expanded from a peer-to-peer payment application to incorporating budgeting, bill payment, and credit card services, as well as by Wealthfront, which integrates banking, investing, and financial planning services within a unified platform.

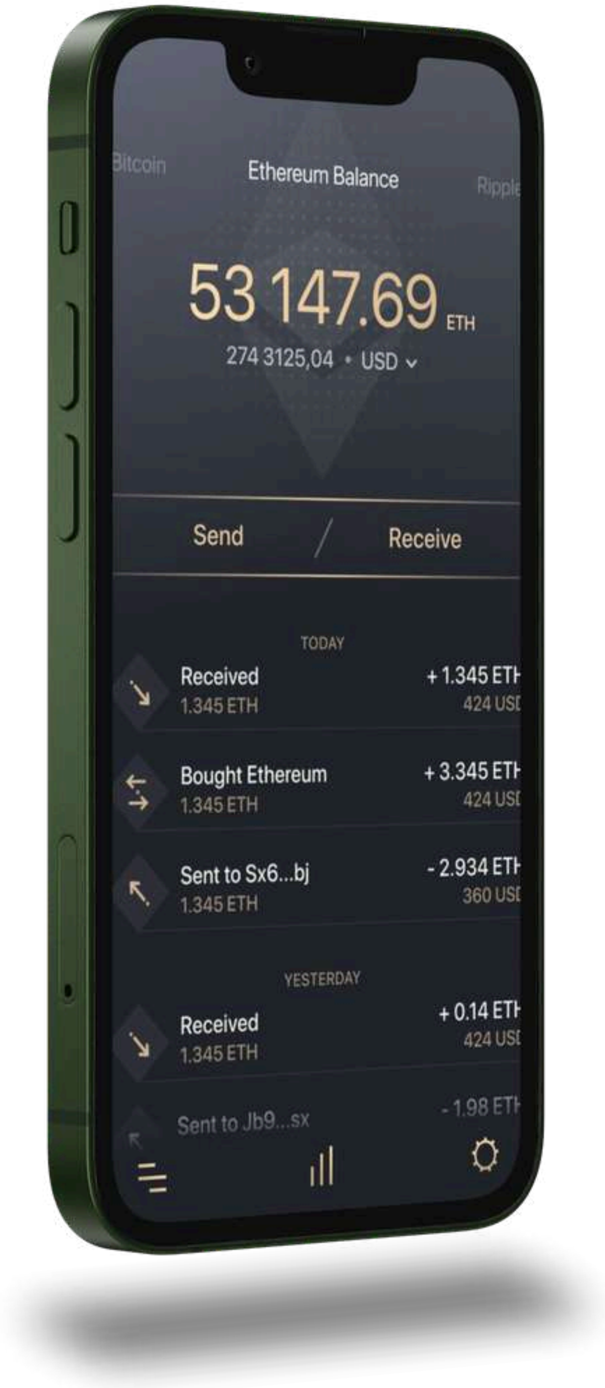
Moreover, personal finance apps have led to the integration with a variety of financial institutions, enabling users to consolidate their investment portfolios within a single platform. Furthermore, the implementation of sturdy security measures such as biometric authentication and two-factor verification has become standard, ensuring the protection of users' financial data.



UPCOMING INNOVATIONS

The realm of personal finance apps is constantly buzzing with innovation. Cutting-edge artificial intelligence and predictive analytics play a pivotal role in these advancements. This technology not only assesses historical spending and saving trends but also forecasts future financial requirements and offers proactive recommendations. Imagine that AI analyzes your real-time spending behaviour, forecasting cash flow fluctuations, and proposing customized saving and investment approaches aligned with your distinct financial objectives.

Blockchain technology and cryptocurrencies are being integrated into personal finance apps, providing enhanced security for transactions and tools to manage cryptocurrency portfolios. Decentralized finance (DeFi) applications are also rising, offering new ways to borrow, lend, and earn interest without traditional financial institutions. This combination of blockchain and cryptocurrency marks a significant change in the future of personal finance apps.



Financial education is becoming more common in personal finance apps. Future apps will likely include interactive tutorials, courses, and personalized advice to help users understand complex financial concepts and make informed decisions. Many seek personal finance applications to offer a more holistic approach to financial well-being. This might include features to track credit scores, personalized debt management strategies, and access to mental health support to address financial-related stress and anxiety.

USER EXPERIENCE ENHANCEMENTS

User experience enhancement in personal finance apps is constantly evolving to help make financial decisions and activities easier. Advancements in in-app personalization include customized dashboards designed to emphasize critical information, such as upcoming bills, spending patterns, and progress toward financial goals. Additionally, AI-powered suggestions analyze spending behaviour to provide personalized budgeting, saving, and investment recommendations.

The simplicity and ease of use in apps can be improved by providing quick access to key features such as account balances, transaction history, and budgeting tools. Conversational interfaces, like voice commands and chatbots, offer a more natural and effortless way to manage finances.

Security and privacy in apps are strengthened through multi-factor authentication and encryption to protect user data, along with clear data privacy practices that enhance transparency and build user trust.

CHALLENGES

Despite these advancements, several challenges need to be addressed. Data privacy and security are critical concerns, as personal finance apps manage sensitive financial information. Implementing strong security measures and transparent data practices is vital for maintaining user trust. Accessibility and inclusivity are also crucial. Developers must ensure these apps are usable by individuals with different levels of financial literacy and those with disabilities, including features like multilingual support and screen reader compatibility.

PERSONAL FINANCE APPS IN SRI LANKA VS. THE WORLD: A COMPARATIVE OVERVIEW

The landscape of personal finance apps in Sri Lanka is evolving, but it currently lags behind the global scene in some aspects. Personal finance apps are a prevalent tool for managing finances globally. AI-powered insights, automated saving/ investing, and integration with a wider range of financial services are becoming commonplace. Secure data sharing between apps and banks is increasingly adopted for a more holistic financial view.

In the Sri Lankan context, while personal finance apps are gaining traction, general usage is lower compared to developed nations. Many Sri Lankan apps focus on basic budgeting and expense tracking, with AI-powered features and investment tracking being less common. Open banking initiatives are in their early stages, restricting data-sharing capabilities between apps and banks.

When we consider the factors that are affecting the adoption of personal finance apps in Sri Lanka, we can find out some primary reasons. Lower financial literacy rates may make some individuals hesitant to adopt financial technology. Though increasing, smartphone penetration may not be as widespread as in other parts of the world. Sri Lanka still has a significant cash-based economy, limiting the perceived need for digital financial management tools.
A positive sign for Sri Lanka is that the Sri Lankan FinTech sector is experiencing growth, with a rise in local personal finance apps. Government initiatives aimed at promoting financial inclusion could boost app adoption. The rising number of mobile phone users bodes well for future app usage.

Overall, Sri Lanka is on the path to catching up with the global trends in personal finance apps. However, there's still room for growth in terms of adoption, feature sets, and open banking integration.

CONCLUSION

The future of personal finance apps looks promising, with exciting innovations on the horizon that will make money management easier and more efficient than ever. These apps will incorporate advanced AI, blockchain technology, improved user experiences, and extensive financial education, making them essential tools for anyone aiming to take charge of their financial well-being.

As these innovations unfold, users are encouraged to explore the new features and functionalities available, tapping into the full potential of personal finance apps to reach their financial objectives. With ongoing advancements and a focus on user-centric design, the future of personal finance management holds tremendous promise and excitement.

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QUANTITATIVE INVESTING STRATEGIES: HARNESSING DATA ANALYTICS AND AI

MR. DILSHAN WIRASEKARA

is a seasoned professional with over 25 years of experience in financial services, including banking, treasury, investment management, capital market strategy, and corporate finance advisory. Since joining First Capital in 2013, he has significantly contributed to its growth as a premier investment institution in Sri Lanka, covering areas such as government securities, stockbroking, unit trust management, wealth management, and corporate finance advisory services.

Before his tenure at First Capital, Mr. Wirasekara served as the General Manager of Softlogic Capital PLC and Head of Treasury at Nations Trust Bank PLC. His expertise in asset and liability risk management is well recognized, having led two Sri Lankan companies to victory in the International Bank Asset and Liability competition organized by the Netherlands Development Finance Company (FMO), the German Investment Corporation (DEG), and Proparco.

An alumnus of INSEAD Business School in France and AOTS in Japan, Mr. Wirasekara is the Director/CEO of First Capital Holdings PLC and serves as the Chairman of the Colombo Stock Exchange (CSE). He also participates in the CSE's Risk and Audit Committee and joint committees on digitalization and the Central Counterparty System (CCP).

In this article, Mr. Dilshan Wirasekara shares his insights on "Quantitative Investing Strategies: Harnessing Data Analytics and AI." Drawing from his extensive experience, Mr. Wirasekara explores how financial institutions can leverage advanced technologies to drive investment strategies, optimize portfolio management, and gain a competitive edge in the ever-evolving financial landscape.

Quantitative investing involves using mathematical methods, statistical analysis, and data analytics, including machine learning, to develop trading strategies, construct portfolios, and manage risk. It relies heavily on technology, such as algorithmic and high-frequency trading, but also involves human analysis to develop, test, and monitor strategies and market trends. Often termed "systematic investing," it focuses on analyzing historical data to determine the most opportune times for profitable transactions.

01 CAN YOU EXPLAIN THE KEY COMPONENTS OF A QUANTITATIVE INVESTING STRATEGY AND HOW DATA ANALYTICS AND AI ARE INTEGRATED INTO THE PROCESS?

> ***The use of quantitative models and AI is still in its infancy, with practical applications currently under testing globally. At this point, they remain more theoretical than practical. Since AI is a relatively recent introduction, models are still being developed to explore its potential outcomes. AI and data analytics are employed to automate the analysis of historical data, identify past trends, and incorporate certain future assumptions to generate statistical models..***

It has been observed that markets follow cycles over centuries, regardless of the specific variables involved—whether inflation, interest rates, equity, or others. These cycles inevitably include periods of boom and bust. In Sri Lanka, volatility driven by factors such as inflation, normalization, and growth results in a market cycle every 3–4 years. While global cycles might last 5–10 years, Sri Lanka's frequent policy changes cause much shorter cycles. This heightened volatility creates both market opportunities and risks.

The focus must be on capitalizing on the opportunities presented by market volatility. First Capital Holdings PLC is currently developing a predictive model for interest rates. While inflation is the primary driver of interest rates, numerous other factors also play a crucial role, including exchange rates, monetary policies, money supply, liquidity, and private sector credit demand.

First Capital Holdings PLC is working to identify these variables and examine how their correlations have historically influenced interest rates. From this analysis, a statistical model can be constructed, potentially forecasting future outcomes. As changes occur in the factors affecting interest rates, the AI model will predict the most likely future scenarios. This represents the core function of AI. Although interest rates are used as an illustrative example, the same approach could be applied to any variable. By understanding the factors that influence the outcome, an AI model can be developed to predict the future with greater accuracy.

The integration of AI and data analytics is transforming decision-making processes, allowing for more informed and intelligent choices. At First Capital, the focus is on trading capital market instruments such as government bonds, corporate debt, equity, and other financial products. By predicting which instruments are likely to appreciate over time, future investment decisions are strategically informed. For instance, when determining the optimal interest rate for investing in a long-term bond, the data fed into the AI model provides insights into probable future interest rates. Investment decisions are then based on these predictions. Essentially, AI in quantitative investing is used to forecast the most likely outcomes, enhancing decision-making accuracy and effectiveness.

02

FOLLOWING UP ON THAT, THE MOST COMMON USE OF AI TO BE KNOWN IS CHATGPT, AND CRITICS ARE SAYING THAT IT MIGHT NOT GIVE THE MOST ACCURATE RESULTS. HOW DO YOU, AS AN INVESTOR, RELY ON THE DATA GIVEN BY THESE MODELS?

> ***The accuracy of an AI model heavily relies on the frequency of its testing. Even in the case of ChatGPT, the model's accuracy depends on the quality and quantity of the data it receives. Increasing the amount of data enhances the model's precision and effectiveness. AI fundamentally operates on a trial-and-error basis. The model must be continuously fed with data to generate outcomes..***

When outcomes are accurate, they should be reintroduced into the model to confirm their validity. Conversely, incorrect or flawed outcomes should be removed from the system. This process ensures that the model is refined and relies on historical data that has produced the most accurate results. As a result, AI developers must consistently provide data, update the model with correct predictions, and eliminate erroneous ones. This ongoing process is crucial for improving the model's reliability.

However, regulatory obstacles may arise in the use of AI. Currently, tools like ChatGPT or similar AI models are not permitted to directly recommend investments in the market. AI cannot be used as a sales tool for investments; rather, it serves as a supportive instrument in the decision-making process. At First Capital, AI can enhance the recommendations provided by specialists, but the ultimate responsibility and accountability for investment advice lies with First Capital, not with AI.

03 DO YOU HAVE ANY SUCCESS STORIES FROM FIRST CAPITAL WHERE YOU HAVE USED AI?

> ***The use of AI at First Capital is still in its early stages. Presently, efforts are being made to develop a predictive model for interest rates. First Capital operates primarily in the fixed-income space, where much of the business depends on accurately interpreting interest rate volatility. A strong track record has been established for making correct decisions, and this success has not been dependent on AI.***

Instead, those decisions have been made using proprietary models to evaluate relevant variables. Currently, an AI model is being developed to supplement and enhance these existing methods.

First Capital Holdings PLC aims to develop an AI model that will enhance the recommendations provided, allowing them to say that their predictions align with the model's forecasts, thereby adding credibility to their advice. At present, the model remains in the development phase and is not yet used for practical applications.

In a relevant case scenario from last year, when the government undertook its domestic debt restructuring under the Domestic Debt Optimization Program, interest rates surged to 30% due to the uncertainty surrounding a potential government default. The company mentioned that there were widespread speculations that the restructuring of government securities would lead to financial losses for investors. During this period, the company conducted a scenario analysis, which, while not fully AI-based, incorporated similar methodologies. They assessed the probabilities of various actions and their potential impact on actual yields. Despite many advisors advising against these investments, First Capital Holdings PLC was the only research entity to recommend taking the risk at 30%.

This recommendation was based on a straightforward analysis where AI and data analytics contributed to the decision-making process, where they examined other countries that had defaulted and considered economies with comparable circumstances. They examined other countries that had defaulted and considered economies with comparable circumstances. For instance, the company focused on Uganda, an African nation more analogous to our situation than Argentina, a South American country that had also gone into default, and analyzed the extent of haircuts these countries experienced in relation to their debt-to-GDP ratios, comparing them with our own situation.

Based on this analysis, it was determined that in the worst-case scenario, the haircut would be 30%. In simple terms, if Rs. 100 were invested, only Rs. 70 would be recovered in the worst case. The base case might result in recovering Rs. 85–90, while the best case would involve recovering the full Rs. 100.

The model developed by First Capital indicated that an investment with a 30% haircut would be more advantageous over a longer duration than a shorter one. It was observed that the impact of the haircut diminishes as the investment period extends since the loss is distributed over more years. For instance, if Rs. 100 is invested in a one-year bill and 30% is deducted, only Rs. 70 would be recovered. However, if the same amount is invested in a 10-year bond, the effective impact on the yield is not 30% on Rs. 100 but rather 30% spread over 10 years, equating to just 3% annually. This understanding led the company to recommend longer-term investments, even in the face of potential haircuts. The strategy proved successful as the best-case scenario unfolded, benefiting all involved. Despite their careful planning, the company acknowledged that a favorable outcome played a significant role in this success.

04 SRI LANKA HAS INTRODUCED MULTIPLE NEW TAX POLICIES RECENTLY, WHICH HAS IMPACTED THE MINDS OF INVESTORS. HOW DO YOU INCORPORATE THE CHANGES IN TAX POLICIES INTO THESE MODELS TO PREDICT THE RETURNS THE CLIENTS GET?

Incorporating changes in tax policies into AI models to predict client returns is highly challenging. This difficulty arises primarily because there are no consistent historical trends in tax policies. The Sri Lankan government frequently alters tax regulations arbitrarily, making it impossible to derive a reliable trend from past data. Even if a trend were identified, it would likely be erratic and unreliable, preventing AI from generating accurate predictions.

As a result, it is challenging to provide an accurate forecast of tax impacts. Therefore, the assumption is made that the current tax policy will remain unchanged for the duration of the investment. No future tax incentives or disincentives are predicted, and current decisions are based on this assumption.

05 THE GOVERNMENT HAD DISCUSSIONS ON THE NEW BUDGET FOR 2025 AND MENTIONED NEW TAX POLICIES SUCH AS THE WEALTH TAX AND PROPERTY TAX. HOW DO THOSE AFFECT YOUR STRATEGIES AS AN INVESTMENT COMPANY?

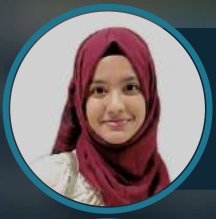
The wealth and property taxes primarily impact individuals on a personal level and do not apply directly to financial instruments. These taxes have limited influence on the products offered by First Capital, except when it comes to our wealth management clients. The company doesn’t manage clients' property wealth, focusing solely on financial instruments. However, if tax policy changes make holding financial instruments a more advantageous decision, offering higher returns than property or real estate, clients will be advised accordingly.

06 EVEN THOUGH SRI LANKA IS NEW TO AI AND ITS STRATEGIES, WE CAN SEE IT BEING IMPLEMENTED AND USED ABROAD FOR INVESTMENTS. WHAT ARE THE SIMILAR STRATEGIES WE CAN IMPLEMENT FOR EMERGING INVESTMENT BUSINESSES IN SRI LANKA, LIKE PORT CITY, FOR EXAMPLE?

Port City lacks historical data to track trends, necessitating comparisons with similar projects in the region. However, each project within Port City would have its own unique valuation. Thus, predicting the future of Port City as a whole isn't feasible, but individual projects could be forecast. For instance, a duty-free zone in Port City could be compared to similar models in Dubai or Singapore, allowing AI to predict its future performance. That said, the practical application of AI is more focused on capital market products. The efforts are directed toward identifying whether to buy or sell securities, predicting interest rates, and assessing whether equity market prices are overvalued or undervalued.

07 HOW DO YOU THINK THESE QUANTITATIVE PREDICTIVE MODELS CAN BE TAILORED TO FOSTER LONG-TERM ECONOMIC SUSTAINABILITY, WITH ITS RISKS AND OPPORTUNITIES?

AI represents the future, and having confidence in its potential is crucial. The greatest advantage of AI lies in the speed with which it can provide answers. Since AI is ultimately a creation of humans, it's not expected to replace them but rather to augment human efforts by increasing speed and reducing resource requirements. For example, if ten people were needed on a research team, AI could reduce that number to just two, enabling greater scalability. From an economic standpoint, utilizing AI for any type of analysis, whether financial or non-financial, will accelerate processes. If this technology is implemented in the public sector, it could streamline everything from processing speeding tickets to handling court cases, for instance. This efficiency could potentially reduce government expenditures by decreasing the number of public employees required. While the private sector is already efficient, integrating AI into the public sector could make it more beneficial, efficient, and profitable.



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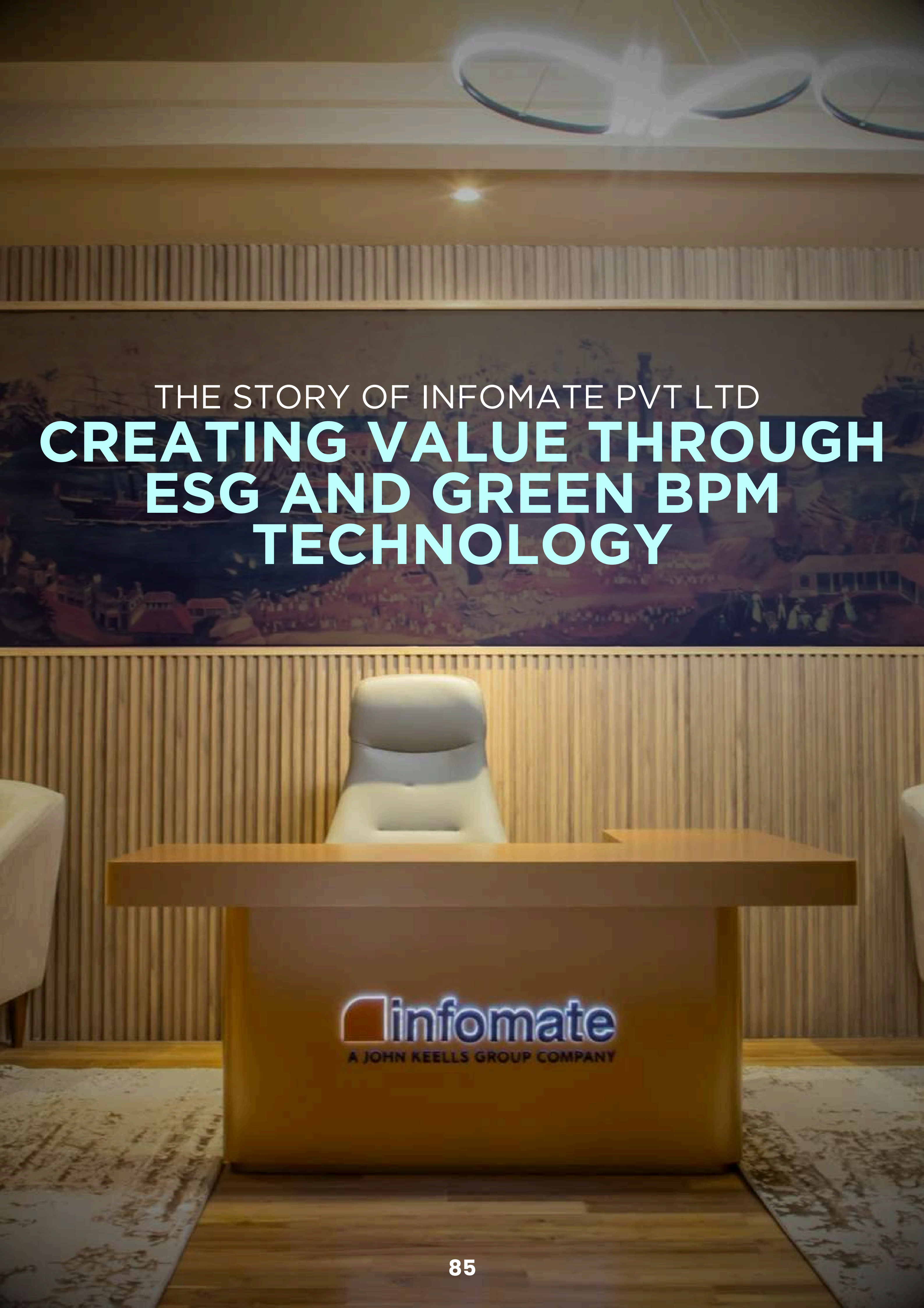
THE STORY OF INFOMATE PVT LTD

CREATING VALUE THROUGH ESG AND GREEN BPM TECHNOLOGY



THE STORY OF INFOMATE PVT LTD

CREATING VALUE THROUGH ESG AND GREEN BPM TECHNOLOGY

In the dynamic landscape of Sri Lanka's Business Process Management (BPM) and IT industries, one name stands out for its remarkable contributions to innovation and leadership: Mr. Jehan Perinpanayagam. With a distinguished career spanning over 25 years, including nearly two decades in the IT/BPM sector, Mr. Jehan has been at the forefront of some of the most transformative projects in the country. As the CEO of Infomate Pvt Limited, Sri Lanka's first shared services center, he has not only elevated the company to new heights but also positioned Sri Lanka as a significant player on the global BPM map.

Under his visionary leadership, Infomate has grown into one of the region's leading BPM providers, specializing in Finance and Accounting services. The company has garnered a diverse clientele across Europe and Australia, including several leading global brands. Mr. Jehan's innovative approach and unwavering commitment to excellence have earned Infomate a reputation for being a trailblazer in the industry.

Beyond his role at Infomate, Mr. Jehan holds several key leadership positions, including Chairman of the Association of Chartered Certified Accountants (ACCA) and President of the Sri Lanka Nordic Business Council. He also served as the Immediate Past Chair of the Sri Lanka Association for Software and Services Companies (SLASSCOM). His influence extends beyond corporate strategy and financial performance, as he is an unwavering advocate for inclusive growth, green technologies, and sustainability.

Mr. Jehan's vision includes tapping into regional talent pools beyond the western province, promoting Environmental, Social, and Governance (ESG) practices, and establishing Sri Lanka as a global leader in green IT/BPM. His efforts have not gone unnoticed, with several accolades recognizing his contributions, including the Chairman's Award for CSR from John Keells and the CMA National Business Excellence Award.

We are excited to dive into Mr. Jehan's insights on the evolving BPM industry, the journey of Infomate, and the future prospects for Sri Lanka's IT/BPM sector. His perspective on sustainable development, regional talent nurturing, and the role of ESG in shaping the industry's future promises to be both enlightening and inspiring.

01 CAN YOU PROVIDE AN OVERVIEW OF INFOMATE PVT LTD AND ITS MISSION IN THE CONTEXT OF ENVIRONMENTAL SUSTAINABILITY AND GREEN BPM?

> *Being the first Shared Services Center in Sri Lanka, and a subsidiary of John Keells, we started as a wholly owned subsidiary company serving the other subsidiaries of the John Keells group. Since then it has grown for eighteen years and is among the top six BPO exporters in Sri Lanka. We started with sixty people, now we have six hundred staff, and we have customers around the world: Australia, Nordics, the UK, the US, Saudi Arabia, and exceptionally large companies in Sri Lanka. Today, we serve other companies as well as John Keells group and these companies generate seventy five percent of our revenue.*

We also believe strongly in making a positive difference through business and it is not just about profits. Therefore, we embrace the idea of ESG (Environmental, Social, and Governance) in a holistic form. Accordingly, we are also concerned about our environment, employees' health and well-being, our customers, the community and, about the country at large.

As we are a Business Process Management (BPM) company, we manage processes, primarily Finance and Accounting, and further we manage other back-office work like payroll, Human Resource Outsourcing (HRO), shipping, documentation, and customer assistance. But seventy percent of our work is in Finance and Accounting, which we manage on behalf of our customers. Currently, we occupy three world class facilities in Fort, McLarens building and in Orion City.

When it comes to sustainability in ESG, the first area in focus is in terms of quality, diversity, equity, and equal opportunity. Today we have sixty percent women employment, including our higher-ranking positions, where almost forty five percent of employees are women. Additionally, we employ people with disabilities to give them the chance to challenge their limits. Infomate was the first to pioneer the concept of rural BPM in Sri Lanka. Hence fifty percent of John Keells accounting is done in three rural centers: Mahavilachchiya in the North Central Province, Sinigama in down south, and in Jaffna. Ninety percent of the employees in those three units are winning, including all the leaders. This has also created rural opportunities, and we have sustained that for fifteen years.

It is not a one-off project, but a permanent one, providing sustainable employment to the rural areas. Over two hundred young generations have worked in these centers, learned incredibly good corporate skills, System Application and Product software, and were able to get first-hand experience on how work is done in conglomerates like John Keels. At present, our well trained employees from these rural branches have good private sector and government sector jobs. Then the other aspects are in terms of employee health and well-being where Infomate have taken the initiative in conducting programs to educate people on physical health, right levels of body mass index for which we have done initiatives like Step Challenges, and by bringing in health experts. John Keells does a lot of work on mental health with having access to free counselling: we have mental health experts for our workforce, and have normalized counselling, as good mental health comes before efficient working spirit and taking help is nothing to be ashamed of.

We have also implemented zero plastics in offices and have started encouraging our suppliers to be zero plastic as well. We have one of the most active volunteerism in the John Keells group and all our people volunteer for CSR (Corporate Social Responsibility) activities that are done by the John Keells Foundation. We at Infomate have had several award winners, and we encourage all our staff to get involved in CSR activities and in making a difference. We have a new goal at Infomate to be carbon neutral by 2030 with initiatives like switching to hybrid vehicles, and in terms of being energy efficient, switching to LED lighting, and more energy efficient lighting. We also monitor electricity in terms of the number of units and take initiatives to reduce the energy expenditure.

And finally, in terms of social projects, we work with a children's charity called Child Action Lanka, where we equip skills to disadvantaged kids in life, career and skills. We bring them to our offices, providing them a first-hand overview of what it is, and train them in English and computer skills. And it is very inspiring to see some of these kids who are not interested in studies, getting the feel of, "I can one day be seated in this seat in Colombo, working in an office."

On the Governance aspect, with the ISO 27001, Information Security, Confidentiality Practices our compliance with data protection is extraordinarily strong.

As mentioned Infomate cannot be described by a single aspect in terms of sustainability, as it is about employee well-being, governance, environment, sustainability, zero plastics, social projects like our rural BPO projects, Child Action Lanka projects, from that you can get the broad idea that Infomate pvt. Ltd takes a holistic view on sustainability.

02 WHAT SPECIFIC SOLUTIONS HAS INFOMATE PVT LTD DEVELOPED TO ADDRESS ENVIRONMENTAL SUSTAINABILITY?

Even though Infomate is a Business Process Management based company, our parent, the John Keells group has some excellent platforms to track key sustainability metrics and, to indicate, they've dashboards that are measured quarterly, and annually audited by DnB. For about 15 years, John Keells has been reporting and measuring all their indicators on sustainability, whereas many companies in Sri Lanka have just started to adapt this technology in their businesses. Therefore, it is a visible fact that John Keells Group has been working in a systematic and consistent method in the scope of sustainability, with technologies related to measuring sustainability matrices.

03 HOW DOES INFOMATE PVT LTD INTEGRATE ENVIRONMENTAL SUSTAINABILITY INTO ITS CORE BUSINESS STRATEGIES AND OPERATIONS?

As a country, Infomate outlined the vision for the IT BPM industry, by transforming Sri Lanka to be the world's first green IT BPM destination. In that view, there were a lot of policies that were made available to all the companies, not just to Infomate. There was training made available at SLASSCOM Academy, teaching what is ESG, and educating staff, sensitizing them, socializing sustainability principles across the workforce, and encouraging Smart Friday where people are encouraged to bike to work and treated with a healthy snack. In terms of our goal of green IT BPM, these are a few initiatives we have implemented to make going green interesting to our staff.

When integrating environmental sustainability into our company strategy, there is a separate section focusing wholly on that area. For instance, when we plan for new customers, new IT platforms, and financial performance, we also have a section on diversity and inclusion and on sustainability. This is then reviewed by the board or the group executive committee of John Keells to make sure all the stakeholders we partner up with have also taken sustainability into account.

Therefore, environmental sustainability is very much integrated into Infomate business operations, as well as our reporting, where we do not report financials separately from sustainability, but it is very much built into our day to day living. Having this type of relationship with environmental wellbeing is important for us as humans but also, it is important for business, because our customers today are the best. In five years, it will be impossible to do business with the best unless you can demonstrate strong sustainability principles.

As another example, suppliers, transport providers, food supplies of Infomate, are informed that plastics are not allowed in our company and to our transport providers, how much of a percentage of vehicles can be electric or hybrid as we measure the carbon footprint in our costs.

04 WHAT CHALLENGES HAS INFOMATE PVT LTD FACED IN DEVELOPING AND IMPLEMENTING GREEN BPM SOLUTIONS?

Implementing modern technology is indeed incredibly challenging, especially in a country like Sri Lanka where people enjoy consistency and culture. Some may not react well to change. If summarized the main challenges, would be the lack of awareness, the lack of infrastructure and the excessive cost.

As many can see, we are slowly adapting to more solar based energy consumption. But with the resources in Sri Lanka, the cost to engineer a solar panel is high, therefore the cost to purchase them is higher. Hence, for an investment made in solar energy, the Return on Investment is not a considerable amount. Also, we have influenced many of our stakeholders to go hybrid with their vehicles but, there also the cost factor comes into play, with the excessive costs of the car batteries and vehicle prices.

The world is more aware and adapted to the concept of Going Green than our country where people are not giving necessary attention to the green solutions. For an example, take the restaurants in Sri Lanka. While many countries have started using quality recyclable bags and containers for their foods, we are still using plastic bags. It is common knowledge nowadays that micro plastics, being an extremely dangerous substance, can enter our bodies through our daily usage of plastic goods. The level of awareness is exceptionally low in our society. So, these are a few challenges we have faced when developing and implementing green BPM.

05 CAN YOU SHARE ANY SUCCESS STORIES OR CASE STUDIES WHERE INFOMATE PVT LTD.'S GREEN FINTECH INNOVATIONS HAVE SIGNIFICANTLY IMPACTED ENVIRONMENTAL SUSTAINABILITY?

We at Infomate have made significant differences to the environmental well-being. For instance, we have led beach cleanups like the zero plastics movement This project is a success story for us because it is a quick win in the scope of sustainability.

We have also educated our staff on the advantages, health benefits and methods for minimal plastic consumption. Now we have eliminated plastics in our workspace and substituted them with traditional glasses and mugs. So, zero plastics in our office is also one of the success stories for environmental sustainability.

Another action we have taken is our rural Business Process Outsourcing project that is seen as a case study. ESG is not just about the environment, but also about society, inclusivity, getting women into the workforce and so on. Hence the rural BPO project, which has created sustainable employment for over two hundred people in over 15 years, is a splendid example of an ESG project. There is a case study that was done on the SLASSCOM website, which would be a great recommendation for anyone to study more about rural BPO projects and ESG in environmental sustainability.

06 HOW DOES INFOMATE PVT LTD MEASURE AND TRACK THE ENVIRONMENTAL IMPACT OF ITS BPM SOLUTIONS?

As it all starts with measuring carbon footprint. So during an EU Funded project, we were able to get consulting assistance on a system for the measuring. John Keells group has key environmental parameters, but to go beyond that, recently, SLASSCOM did an initiative with the US resident coordinator's office to put together a set of KPIs, which are specific to the IT BPM industry. Using those measurement tools, our stakeholders can measure their footprints. So along with their financial results, they must have a carbon footprint and ESG dashboard also presented to review. The next step is to get the measurements and reports audited. This step is done as a starting point to make measuring environmental impact, a customary practice among businesses.

One particularly good initiative to offset carbon credits done by Infomate was a tree planting initiative. We have planted over 2,000 trees, and that is an ongoing initiative we did by teaming up with a John Keells Group subsidiary called Tea Smallholder Factories Limited. They have smallholder factories across Sri Lanka, and they have some incredibly good land banks. With the advice of a naturalist who guided us, we were able to identify what type of trees are suitable for that locality. The team that went from Infomate has thoroughly enjoyed being part of getting back to nature and planting trees. This is an initiative that we are looking to continue even though it is a huge investment from the company, because that will offset some of our carbon footprints. Another aspect of using energy in our company is transport via electricity consumption, and the use of computers. By this, we are going to have an energy footprint. We want to try and minimize this energy footprint, but we also want to try and offset that. For that reason as well we would like to continue and scale up tree planting initiatives.

Also, in terms of E-waste disposal, we are currently working with proper E-waste disposal. We make sure that all the computer parts, and cables, are responsibly disposed of. We are hoping this type of activity can influence our competitors to be more environmentally friendly and aware of these factors as well.

07 WHAT FUTURE DOES INFOMATE PVT LTD HAVE FOR ADVANCING ENVIRONMENTAL SUSTAINABILITY THROUGH GREEN FINTECH INNOVATION?

We demand carbon neutrality in the future. Additionally, enhance the health and wellbeing of workers, assists local communities, and promote gender equality and diversity among board members and other positions of leadership. We see ESG as a significant investment in the long-term resilience of the business. ESG must be incorporated into an organization's entire strategy and risk management to change how they do business and prevent it from being perceived as "greenwashing." ESG includes governance as well, which starts with a careful analysis of the relevance and business implications of ESG. Then, with automation as a major facilitator of corporate operations, Infomate has grown its range of services beyond finance and accounting to include shipping paperwork, sales, and other services. The future of ESG in our business and our country presents a billion-dollar green tech opportunity. Companies would have a common, globally relevant understanding of what constitutes sustainability.

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THE CASE OF ALLIANZ LANKA

IMPROVING CUSTOMER EXPERIENCE THROUGH CUSTOMER-CENTRIC INSURTECH SOLUTIONS

THE CASE OF ALLIANZ LANKA

IMPROVING CUSTOMER EXPERIENCE THROUGH CUSTOMER-CENTRIC INSURTECH SOLUTIONS

In the dynamic world of insurance, Mr. Jayalal Hewawasam stands out as a strategic visionary and dedicated leader. As the Chief Executive Officer of Allianz Life Insurance Lanka Limited, Mr. Hewawasam brings a wealth of expertise and a passion for transforming the life insurance sector. His impressive background included a pivotal role as the Managing Director and the CEO at Assetline Insurance Brokers Limited, where he honed his skills in general insurance and strategic business development.

With a distinguished career marked by his Chartered Marketer FCIM and Chartered Insurer FCII designations, Mr. Hewawasam is committed to upholding the highest standards of service excellence. Under his leadership, Allianz Life Insurance Lanka Limited has continued to thrive, navigating complex market dynamics with a forward-thinking approach. As a key person within the Allianz Group, which includes both Allianz Life Insurance Lanka Limited and Allianz Insurance Lanka Limited, Mr. Hewawasam is instrumental in driving sustainable growth and innovation in the life insurance sector.

01 CAN YOU GIVE US A BRIEF INTRODUCTION TO ALLIANZ LANKA AND ITS APPROACH TO CUSTOMER-CENTRIC INSURTECH SOLUTIONS?

> *Allianz, the world's leading insurance company, which originated in Germany, has successfully integrated Information and Communication Technology (ICT) into its insurance practices, setting a benchmark in the sector.*

In Sri Lanka, Allianz Lanka shows commitment through its customer-centric Insurtech solutions. As a pioneer in digitalization, Allianz Lanka follows a strategy where the customer is always at the core. This customer-focused approach is not just a part of their strategy but the central element driving it.

Allianz Lanka designs its products and distribution methods with the customer in mind. The company ensures that its offerings are tailored to meet the needs of its clients. This dedication to putting the customer first underscores Allianz Lanka's role as a leader in the digital insurance space, reflecting the company's broader commitment to innovation and excellence in the insurance industry.

02 WHAT SPECIFIC INSURTECH INNOVATIONS HAS ALLIANZ LANKA IMPLEMENTED TO ENHANCE THE CUSTOMER EXPERIENCE?

Allianz Lanka has been at the forefront of incorporating cutting-edge Insurtech solutions to improve the customer experience in the rapidly changing financial technology sector. Similar to how FinTech emerged in the 1950’s and internet-based financial services were later introduced; the insurance industry has embraced technological improvements to enhance service delivery. Here is a look at how Allianz Lanka has leveraged Insurtech to enhance its offerings.

1. Seamless Online Transactions for Basic Insurance Products

Allianz Lanka has significantly advanced its digital capabilities, particularly in its motor and fire property insurance segments. These basic insurance products have allowed customers to buy policies, pay premiums, and settle claims entirely online. This shift to digital platforms not only simplifies the process for customers but also accelerates the turnaround time for claims and payments.

2. Simplified Travel Insurance Acquisition

Customers no longer need to visit physical locations to obtain travel insurance. Instead, they can easily access Allianz Lanka's website, enter their information, and select the coverage they need. This user-friendly online interface makes purchasing travel insurance more convenient and accessible, catering to the modern traveller's needs.

3. Efficient Marine Insurance Services

Marine insurance, essential for managing risks related to imports and exports, is also offered through Allianz Lanka's digital platforms. The company has adapted its services to facilitate easier access to marine insurance policies, showing its commitment to leveraging technology for better customer service.

4. Enhanced Home Insurance Solutions

For home insurance, Allianz Lanka has combined FinTech solutions that allow customers to purchase policies and manage their coverage online. This innovation ensures that homeowners can efficiently handle their insurance needs without the hassle of traditional processes.

5. Evolving Life Insurance with Technological Integration

While life insurance presents unique challenges due to its underwriting complexities and the need to account for various demographic factors, Allianz Lanka has still made it possible to incorporate with FinTech. While full digitization of life insurance is challenging, the company has introduced significant improvements. Customers can now complete a proposal form online, which is then uploaded to Allianz Lanka's system for underwriting.

Additionally, policy documents, once delivered as hard copies, are now accessible via digital links, allowing customers to print or view their policies conveniently.

03 HOW DOES ALLIANZ LANKA GATHER AND UTILIZE CUSTOMER FEEDBACK TO DRIVE ITS INSURTECH SOLUTIONS AND IMPROVE CUSTOMER SATISFACTION?

In today's data-driven world, insurance companies like Allianz Lanka are using big data and advanced analytics in their Insurtech solutions to enhance customer satisfaction. As a company committed to ethical practices and regulatory compliance, Allianz Lanka prioritizes data privacy while providing valuable insights to better serve its customers.

Allianz Lanka complies with strict data privacy regulations, ensuring that customer information is handled responsibly. While sensitive data such as bank account details is excluded from collection, the company gathers essential demographic information, such as names, NIC numbers, and dates of birth.

For life insurance, Allianz Lanka uses demographic data to segment customers by age. Life insurance products are typically offered to individuals from 18 to 60 years old, and analyzing this data helps the company identify which age groups present the lowest risk. By segmenting customers into different age brackets, Allianz Lanka can develop targeted strategies and product offerings. For instance, health insurance products are particularly attractive to younger customers due to their lower risk profiles, while older customers might be more interested in medical coverage with certain limitations.

In general insurance, Allianz Lanka employs a detailed analysis of customer demographics and behaviours. Factors such as age, profession, geographical location, daily driving distance, vehicle type, and historical data, including past insurance claims are considered. Customers with a lower risk profile are likely to benefit from more favourable premium rates, reflecting their reduced exposure to potential claims.

When it comes to property insurance, Allianz Lanka assesses geographic and environmental factors to set appropriate premium rates. For example, properties located in flood-prone areas, such as parts of Ratnapura compared to Colombo, are subject to higher premiums due to the increased risk. This data-driven approach allows Allianz Lanka to deliver insurance solutions while maintaining a high standard of customer satisfaction.

04 CAN YOU PROVIDE EXAMPLES OF HOW ALLIANZ LANKA'S INSURTECH SOLUTIONS HAVE SIMPLIFIED THE INSURANCE PROCESS FOR CUSTOMERS?

In the evolving tech landscape, Allianz Lanka is leading the way in Insurtech by simplifying insurance processes. Using advanced technology and big data, they are making complex insurance products more user-friendly. One of the key areas is motor insurance. Traditionally, purchasing motor insurance involved a process with numerous steps and paperwork. Today, Customers can visit the company's website, enter basic information about their vehicle, and instantly receive a quote. This process not only saves time but also empowers customers to compare their options and make informed decisions effortlessly.

Similarly, Allianz Lanka's approach to travel insurance has been simplified with an intuitive online system. Travelers can now input their details such as travel dates and destinations directly on the company's website. The system processes this information quickly, providing a quote and allowing users to purchase their travel insurance with just a few clicks. In marine insurance, Allianz Lanka has used technology to enable customers to manage their marine insurance needs online which improves accuracy and accessibility for clients.

05 WHAT CHALLENGES HAS ALLIANZ LANKA ENCOUNTERED IN DEVELOPING AND DEPLOYING CUSTOMER-CENTRIC INSURTECH SOLUTIONS, AND HOW HAVE YOU ADDRESSED THEM?

Allianz Lanka has faced a range of challenges in developing and deploying customer-centric Insurtech solutions, particularly in the life insurance field. One major challenge is the integration of physical and digital processes. The traditional life insurance workflow involves multiple steps, starting with the collection of customer information through agents, followed by an online proposal submission. This is followed by a physical medical examination, where the results must be sent to the insurance company for underwriting. The underwriting department then assesses these results, determines the appropriate pricing, and if necessary, adjusts the premium based on the risk assessment.

The final step, once the policy is issued, involves digital claim settlement where customers submit their claim information online. In this hybrid process, which combines both physical and digital elements, Allianz Lanka has overcome the challenges of integrating physical and digital elements in the insurance process by improving their digital infrastructure.

Another significant challenge is maintaining the integrity of customer information. Instances of customers providing inaccurate information can complicate the underwriting process and affect the accuracy of pricing. To address this, Allianz Lanka has implemented strict verification processes to detect inconsistencies early. The introduction of e-motor, e-travel, and e-marine policies has been a step forward in managing and processing insurance digitally. Allianz Lanka is addressing ongoing challenges in integrating blockchain technology, which offers the potential for improved data management and transaction security. While blockchain could revolutionize these aspects, Allianz Lanka is actively working to overcome the technical obstacles.

06 HOW DOES ALLIANZ LANKA MEASURE THE EFFECTIVENESS AND IMPACT OF ITS INSURTECH SOLUTIONS ON CUSTOMER EXPERIENCE?

Digitalization has emerged as a transformative force in the insurance industry and has revolutionized the insurance sector. In countries like Singapore, Thailand, Malaysia, Korea, and Japan, the insurance sector has adopted end-to-end digital processes, resulting in increased efficiency and a more customer-centric approach. The success stories from these markets highlight the potential benefits of digitalization.

In Sri Lanka, where the insurance market penetration is currently below 1% of Gross Written Premium (GWP), the situation is somewhat different. Historically, life insurance products in Sri Lanka have been mainly sold by insurance agents rather than being actively purchased by customers. However, by moving towards a more digitalized process, Allianz Lanka aims to simplify the customer journey and enhance the overall customer experience while holding the potential to drive significant improvements in market penetration. As Allianz Lanka advances its digital capabilities, it is set to greatly impact the insurance industry and economy in Sri Lanka by improving efficiency, customer engagement, and market strength.

07 WHAT FUTURE DEVELOPMENTS CAN WE EXPECT FROM ALLIANZ LANKA IN TERMS OF ENHANCING CUSTOMER EXPERIENCE THROUGH INSURTECH INNOVATION?

Allianz, a global leader in insurance with its regional office in Singapore, benefits from a wealth of technological advancements and innovations developed in more advanced markets. The company is committed to implementing these innovations to elevate service quality operations in Sri Lanka.

One of the key focuses is improvements in technology to create an ecosystem between customers, healthcare providers, and insurance services. This innovative approach is set to upgrade the insurance experience by enabling direct connectivity between medical facilities and Allianz Lanka. For instance, when customers receive medical treatment, their information can be automatically connected with Allianz Lanka's underwriting system. This combination not only enhances efficiency but also facilitates the purchase of life insurance products within a short timeframe, reducing delays.

In the field of motor insurance, Allianz Lanka is set to use technology to simplify and improve the claims process. Traditionally, physical assessors visit the sites to evaluate accidents and process claims. However, Allianz Lanka is exploring advanced technological solutions to digitize this process. By utilizing technology for accident assessment and claims execution, the company aims to offer quicker, more accurate claim resolutions for its customers.

Overall, Allianz Lanka's commitment to adopting and implementing innovations from Allianz's global network ensures that customers in Sri Lanka will benefit from globalized technology and superior service. These advancements not only set Allianz Lanka apart in terms of competitive edge but also promise to deliver an unparalleled customer experience, reflecting the company's dedication to excellence in the insurance industry.

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REGTECH: NAVIGATING REGULATORY CHALLENGES IN THE FUTURE OF FINANCE

REGTECH: NAVIGATING REGULATORY CHALLENGES IN THE FUTURE OF FINANCE

Mr. J.P.R. Karunaratne has served at the Central Bank of Sri Lanka for more than 33 years in different capacities in the areas of supervision and regulation of Banks and Non-Banking financial institutions, currency management, public debt Secretariat, Finance policy review and monitoring. He has held the positions of Superintendent of Currency (SC) and Director of Supervision of Non-Bank Financial Institutions (DSNBFI).

He has contributed towards strengthening the legal and regulatory framework in the Non-Bank Financial Institutions sector and also has been a key player in the consolidation of the Non-Bank Financial Institutions sector. Before being appointed as the Deputy Governor, Mr. J.P.R. Karunaratne was Assistant Governor and was in charge of the Department of Supervision of Non-Bank Financial Institutions, Finance Department and the Facilities Management Department. As an Assistant Governor Mr. Karunaratne has managed a number of other departments, including Foreign Exchange, Currency, Resolution and Enforcement, Macroprudential Surveillance, Legal and Compliance, Risk Management, Center for Banking Studies, Security Services, and Staff Services Management.

He has held the positions of Secretary to the Board Risk Oversight Committee, Secretary to the Monetary Board Advisory Audit Committee, and Secretary to the Ethics Committee. In addition, he was released to work as a Financial Advisor for the Ministry of Defence. In 2009, the Supreme Court named him as Chief Operating Officer for the Committee of Chartered Accountants' Secretariat.

In this article, Mr. J.P.R. Karunaratne shares insights on RegTech: Navigating Regulatory Challenges in the Future of Finance. Mr. Karunarathne emphasized the importance of RegTech, or regulatory technology, in the changing financial sector. He emphasized the financial industry's many regulatory obstacles, such as the growing intricacy of rules. He made the point that by automating compliance duties and offering real-time monitoring, RegTech solutions are proving to be effective tools for addressing these issues. RegTech's capacity to assist financial institutions in navigating complicated regulatory settings by providing accurate, data-driven insights that support decision-making was a crucial topic of discussion for Mr. Karunarathne. He did, however, also recognize the difficulties in incorporating RegTech solutions into current systems, emphasizing the necessity of approaching integration strategically. Mr. Karunarathne also outlined how RegTech improves customer experience by boosting transparency and optimizing operations, going beyond compliance.

01 CAN YOU BRIEFLY EXPLAIN WHAT REGTECH IS AND ITS SIGNIFICANCE IN THE FINANCIAL INDUSTRY TODAY?

> *RegTech is the short form for Regulatory Technology, which refers to the use of technology to help financial institutions comply with regulations efficiently and effectively. RegTech is a key element of the contemporary financial services environment.*

It includes a broad range of tools and solutions intended to control risk, automate compliance procedures, and ensure conformity to legal and regulatory standards. RegTech's expanding significance in the sector is attributed to a number of important factors. A major factor in lowering human labor and avoiding errors is the automation of compliance duties like reporting and data gathering. Many financial organizations and authorities throughout the world still rely on manual processes for regulatory compliance and reporting, despite technological developments. This dependence highlights how important RegTech is to optimizing these procedures and raising productivity.

A crucial component of RegTech is risk management. This domain's tools help firms recognize, evaluate, and reduce risks related to regulatory compliance. Since risk management is a cornerstone of banking operations, sustaining strong risk management procedures requires the integration of RegTech solutions. Another essential element of RegTech is data analytics. In particular, huge banks that handle enormous volumes of data need to be able to analyze large volumes of data in order to find trends or deviations that could point to compliance issues. By utilizing data-driven insights, this capacity guarantees that these institutions continue to comply with regulatory standards.

An additional advantage is real-time compliance. RegTech solutions allow financial firms to react swiftly to changes in regulations, which can occur frequently in the fast-paced financial services business. This flexibility lowers the possibility of regulatory fines by ensuring that financial institutions stay compliant. Transparency and improved reporting are further benefits. Financial institutions are required by regulatory organizations to provide accurate, timely, and transparent reporting. RegTech enhances these reporting procedures' speed and accuracy, which makes it simpler for institutions to comply with regulations and for authorities to keep an eye on compliance.

Furthermore, RegTech is essential to preserving institutional reputation and gaining the trust of customers. Failures in compliance may cause serious damage to one's reputation and erode client confidence. RegTech assists financial institutions in protecting their brand and cultivating trust with stakeholders and consumers by guaranteeing compliance with rules.

Finally, RegTech encourages adaptability and creativity in the financial services industry. RegTech solutions help institutions be inventive and flexible while adhering to constantly changing regulatory standards as the sector changes with innovations like FinTech.

Financial institutions can develop and adjust to new technologies with the help of regulatory technology, or RegTech, as long as they strictly adhere to regulatory requirements. This capacity boosts market competition in addition to fostering institutional expansion.

In the financial services sector, RegTech is essential for a number of reasons. Through the automation of procedures that would otherwise involve a great deal of manual labor, it dramatically lowers compliance costs. Furthermore, it is essential for risk management, assisting organizations in better recognizing, evaluating, and reducing possible regulatory hazards. RegTech is vital for the stability and expansion of the financial services sector because it lowers compliance costs, manages risk, guarantees real-time compliance, and promotes innovation.

02 WHAT ARE SOME OF THE MOST SIGNIFICANT REGULATORY CHALLENGES CURRENTLY FACED BY THE FINANCIAL INDUSTRY?

If you look at challenges, there are a number of challenges faced by different financial institutions. The overall financial sector comprises of a number of institutions. Now, in Sri Lankan context, the banks are the key players, accounting for about 60% of the sector.

One of the primary challenges is the ability of financial institutions, particularly banks and non-bank financial institutions, to meet the regulatory requirements set by authorities. Considering the complexity and quick growth of financial goods and services, compliance risk is still a major concern. Keeping capital adequacy is one of the most important challenges. The banking industry in Sri Lanka has faced economic difficulties in recent years, including exposure to sovereign and other debt instruments. Banks' exposure to foreign sovereign bonds is still being monitored, even if they were spared from the domestic debt optimization program. This could result in capital losses. Banks have established procedures to make sure they maintain the necessary levels of capital adequacy despite these difficulties.

However, it has grown more difficult to draw investors to accumulate capital, especially in light of Sri Lanka's fall to default status, which has made it harder for banks to win over investors.

Complying with laws pertaining to anti-money laundering (AML) and countering the financing of terrorism (CFT) is a significant additional barrier. In the upcoming year, Sri Lanka's compliance status will be mutually evaluated, thus banks and other financial institutions must comply with international AML and CFT requirements. Maintaining the integrity of the financial system and avoiding penalties require strict adherence to these rules. The use of sustainable financing is also becoming more and more crucial. Sri Lanka is subject to a number of international agreements, notably those pertaining to the Sustainable Development Goals (SDGs) of the United Nations. Consequently, banks and other financial institutions are expected to play a bigger role in sustainable finance.

A sustainable development strategy has been released by the Central Bank of Sri Lanka, and certain institutions have already started using green and blue bonds. Over the next ten years, the industry will still have to overcome the issue of adopting sustainable finance practices more widely.

The increasing number of transactions has led to a crucial focus on digital transformation and cybersecurity issues. Financial institutions need to make sure that their cybersecurity and firewall policies are strong enough to ward off cyberattacks and protect sensitive data. Furthermore, regulators now demand banks to establish sophisticated risk management frameworks and governance structures in order to successfully manage critical risks, which has led to an increase in the importance of risk management and governance.

Apart from regulatory obstacles, the financial industry confronts additional significant problems. One such difficulty is the loss of knowledge brought on by the economic downturn, which has caused a trained professional migration from the nation. The process of complying with regulations has become more difficult as a result of the brain drain, which has left an absence of competence in critical sectors.

Managing the growing number of non-performing loans (NPLs) is another urgent concern. For banks, the last two years have seen a substantial rise in non-performing loans (NPLs), which has been made worse by the COVID-19 pandemic and the economic crisis. Even if the recovery phase has started, banks still need to keep an eye on and manage credit risk to make sure they comply with regulations. Last, but not least, it is a constant challenge to modify business models to fit the shifting demands of customers and the market environment. To maintain their competitiveness and satisfy both regulators and consumers, financial institutions need to be flexible and adaptable to these developments.

03 REGULATORY COMPLIANCE IS OFTEN SEEN AS A BURDEN FOR BUSINESSES. HOW CAN REGTECH SOLUTIONS BE USED TO NOT ONLY ENSURE COMPLIANCE BUT ALSO CREATE A CULTURE OF ETHICAL CONDUCT WITHIN AN ORGANIZATION?

Regulatory Technology (RegTech) plays a crucial role in fostering a culture of ethical behavior in financial institutions by effectively incorporating ethical norms and compliance into day-to-day operations. RegTech continuously monitors transactions and activities by automating enforcement and monitoring. This allows it to quickly discover and handle ethical issues such as insider trading. This constant alertness upholds integrity and guarantees compliance with legal mandates.

By giving real-time visibility into ethical standards across the company, RegTech improves transparency by making it simpler to identify and report unethical behavior. Additionally, it provides specialized training courses that instill moral conduct in the organization's principles, guaranteeing that staff members never forget their duties.

By examining trends that may indicate future problems, data analytics tools enable organizations to proactively manage ethical concerns. RegTech also promotes whistleblower protection by providing safe avenues for exposing misconduct, enabling staff members to come forward without fear. It also provides a strong example for the entire business by guiding ethical leadership in decision-making by ensuring that actions are in line with institutional values and regulatory standards.

Finally, RegTech makes it easier to conduct audits that guarantee all employees are held accountable for regularly adhering to ethical standards. RegTech integrates ethical behavior into institutional culture by guaranteeing accountability, boosting transparency, automating monitoring, and supporting training.

04 HOW CAN REGTECH SOLUTIONS HELP FINANCIAL INSTITUTIONS NAVIGATE COMPLEX REGULATORY ENVIRONMENTS?

Financial organizations may gain substantial advantages from Regulatory Technology (RegTech) as it streamlines compliance procedures. The automation of manual and repetitive processes lessens the strain of providing multiple regulators with the same information, which is one of the main benefits. For instance, rules from the Securities and Exchange Commission, the Registrar of Companies, and the Central Bank of Sri Lanka must be complied with by a bank that is listed in that country. Data submission to each authority by hand can be expensive and error-prone. By automating these processes, RegTech products reduce human error while guaranteeing that regulatory standards are regularly followed.

Real-time reporting and monitoring are another important advantage of RegTech. Financial organizations may quickly adjust to new laws and regulations by using these tools to follow regulatory changes as they occur. This real-time capability lowers the chance of regulatory violations by assisting institutions in remaining compliant without delay. RegTech also improves analytics and data management by using cutting-edge technologies to handle enormous volumes of data. In order to maintain regulatory compliance, institutions need to be able to identify risks, detect suspicious activity, and assure data correctness. These functions are all made possible by this capacity.

Using RegTech solutions has the additional benefit of being cost-effective. RegTech minimizes the need for significant manual effort and the expenses related to non-compliance, such as fines and penalties, by optimizing compliance procedures. RegTech also improves risk management by giving access to advanced technologies that forecast any compliance problems and provide useful insights. Lastly, RegTech ensures that all required data is filed accurately and on time by streamlining and standardizing regulatory reporting. Additionally, by automatically upgrading compliance frameworks in response to new legislation, these technologies adjust to regulatory changes. Because of their flexibility, financial institutions may easily stay in compliance and concentrate on their core business operations while skillfully negotiating the complicated regulatory landscape.

05 IMPLEMENTING REGTECH SOLUTIONS REQUIRES INTEGRATION WITH EXISTING SYSTEMS. HOW WOULD YOU APPROACH THE CHALLENGE OF INTEGRATING A NEW REGTECH SOLUTION INTO A FINANCIAL INSTITUTION'S EXISTING INFRASTRUCTURE?

Financial institutions face various obstacles when putting RegTech solutions into practice, prominent among them being compatibility with outdated systems. Many organizations continue to use outdated systems that might not work well with contemporary technologies. The process of integrating these technologies frequently necessitates significant infrastructure modifications or customization, which can be expensive and time-consuming. The inability to integrate new technologies with legacy systems presents a major obstacle to the seamless implementation of RegTech solutions.

The integration and quality of data present another significant challenge. Consolidating data from several sources is a necessary step in integrating RegTech solutions, but it can be challenging if the current data is fragmented or kept in formats that aren't compatible. It is crucial, though frequently difficult, to guarantee data integrity, correctness, and consistency throughout this process. For financial organizations to integrate data effectively, these problems need to be addressed.

Scalability is another issue, particularly for organizations that conduct business internationally. It might be difficult to scale RegTech solutions across all departments and branches, especially for foreign banks. Without sacrificing effectiveness, the solutions must be able to manage the scale and complexity of the institution. In order to make sure that the technology properly supports the institution's global activities, scalability challenges must be resolved.

Another major obstacle during the integration process is regulatory compliance. RegTech solutions are designed to make compliance easier, but it can be challenging to make sure that the integration complies with every applicable regulation. This includes protecting the privacy of data, adhering to regional legal standards, and making sure the solution is certified as needed. To stay clear of any regulatory hazards, financial institutions need to address these compliance-related issues properly.

06 HOW DOES REGTECH AFFECT THE CUSTOMER EXPERIENCE IN FINANCIAL SERVICES?

RegTech solutions provide financial institutions' clients with a number of significant benefits. Firstly, one major benefit is quick onboarding. RegTech expedites the onboarding process by automating procedures including identification, verification, Know Your Customer (KYC) checks and anti-money laundering protocols. Both the financial institution and its clients gain from this efficiency, which expedites the establishment of the banking relationship and saves time.

Another important advantage is improved security and privacy. RegTech solutions secure consumer data by implementing cutting-edge security measures and assisting in ensuring compliance with data protection laws. This is essential for preserving confidence and safeguarding private data. RegTech enhances personalized services as well. Financial institutions can better understand their clients by analyzing data and insights linked to compliance, and then customizing services to match their specific needs.

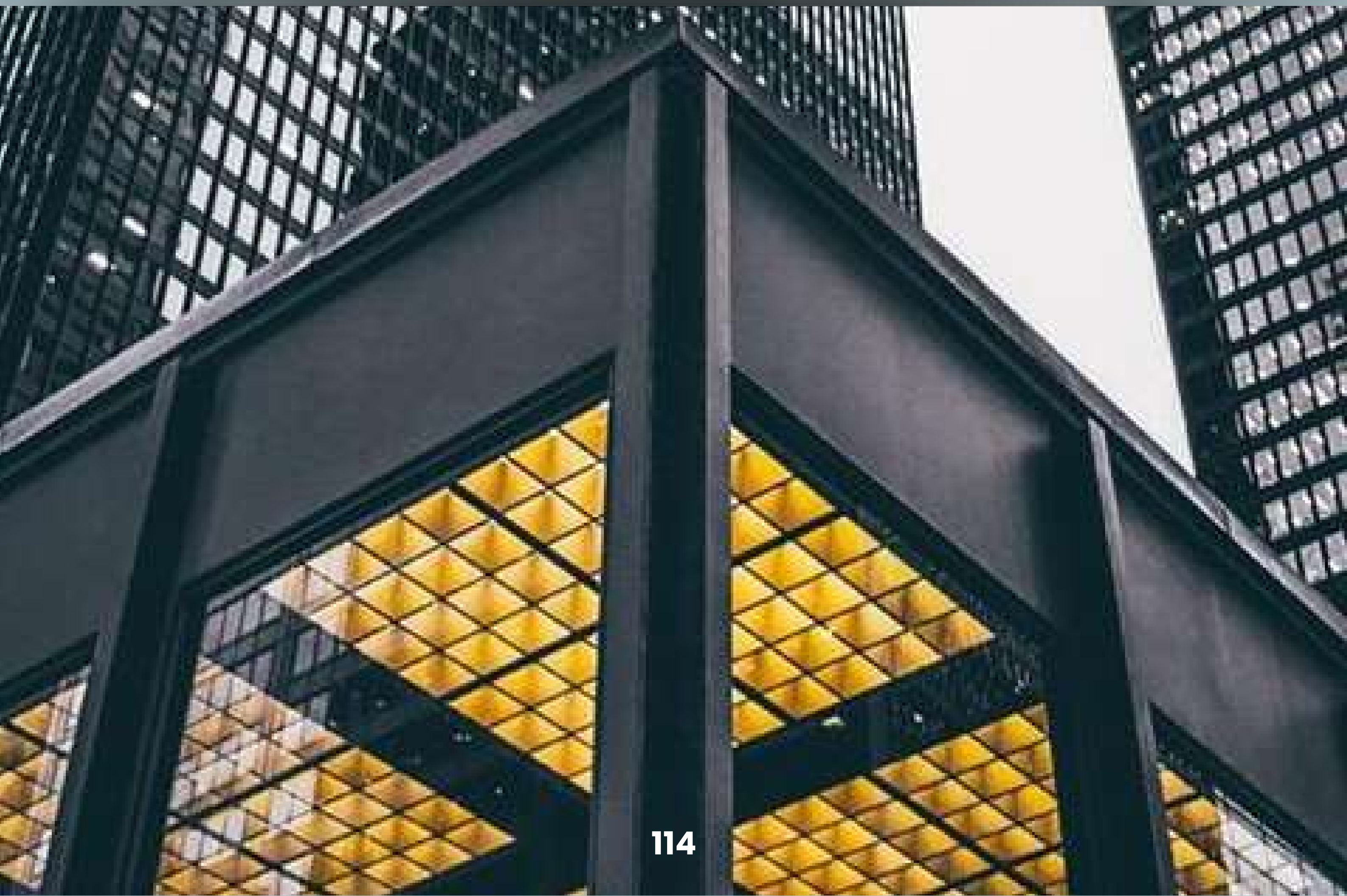
Finally, RegTech solutions help to decrease delays and errors. By reducing human error, which can cause delays or disruptions in service, automation of compliance procedures improves overall service reliability and customer happiness.

07 WHAT ARE THE LATEST TRENDS IN REGTECH, AND HOW ARE THEY SHAPING THE FINANCIAL INDUSTRY?

RegTech is being shaped by a number of new trends that are impacting the financial services sector. Artificial Intelligence (AI) and machine learning are being used extensively to predict hazards, automate compliance processes, and detect fraud. This helps institutions discover possible problems before they become more serious.

Distributed ledger technology and blockchain provide transparent and safe record-keeping options. Real-time, precise, and uniform reporting is made possible by the increasing sophistication of regulatory reporting automation. Scalable, adaptable, and reasonably priced approaches to managing regulatory compliance are offered by cloud-based compliance systems. By enabling RegTech companies to test new concepts in controlled conditions and encouraging cooperation between regulators, financial institutions, and technology suppliers, regulatory sandboxes and collaborations foster innovation. All of these developments help the financial services sector become more efficient, more compliant, more customer-focused, more innovative, more resilient to cyberattacks, and more capable of making data-driven decisions.

In conclusion, RegTech is a developing field that has the potential to drastically change regulatory procedures and financial institutions. Sri Lanka is just beginning to investigate the possibilities of RegTech, whereas developed nations have already made significant progress in implementing these technologies. Regulators, including the Central Bank, are debating whether to launch RegTech projects in the upcoming years. Discussions are still underway. Furthermore, the notion of SupTech, or Supervisory Technology, is beginning to take shape. It centers on the ways in which regulators might leverage technology to improve their processes for supervision and compliance. FinTech and RegTech have the potential to improve the efficacy and efficiency of financial systems. It is imperative that our educational system adjust and integrate these technologies into courses in order to support future professionals' acquisition of pertinent skills. This proactive strategy will guarantee that we are ready to capitalize on these breakthroughs as they develop and grow.



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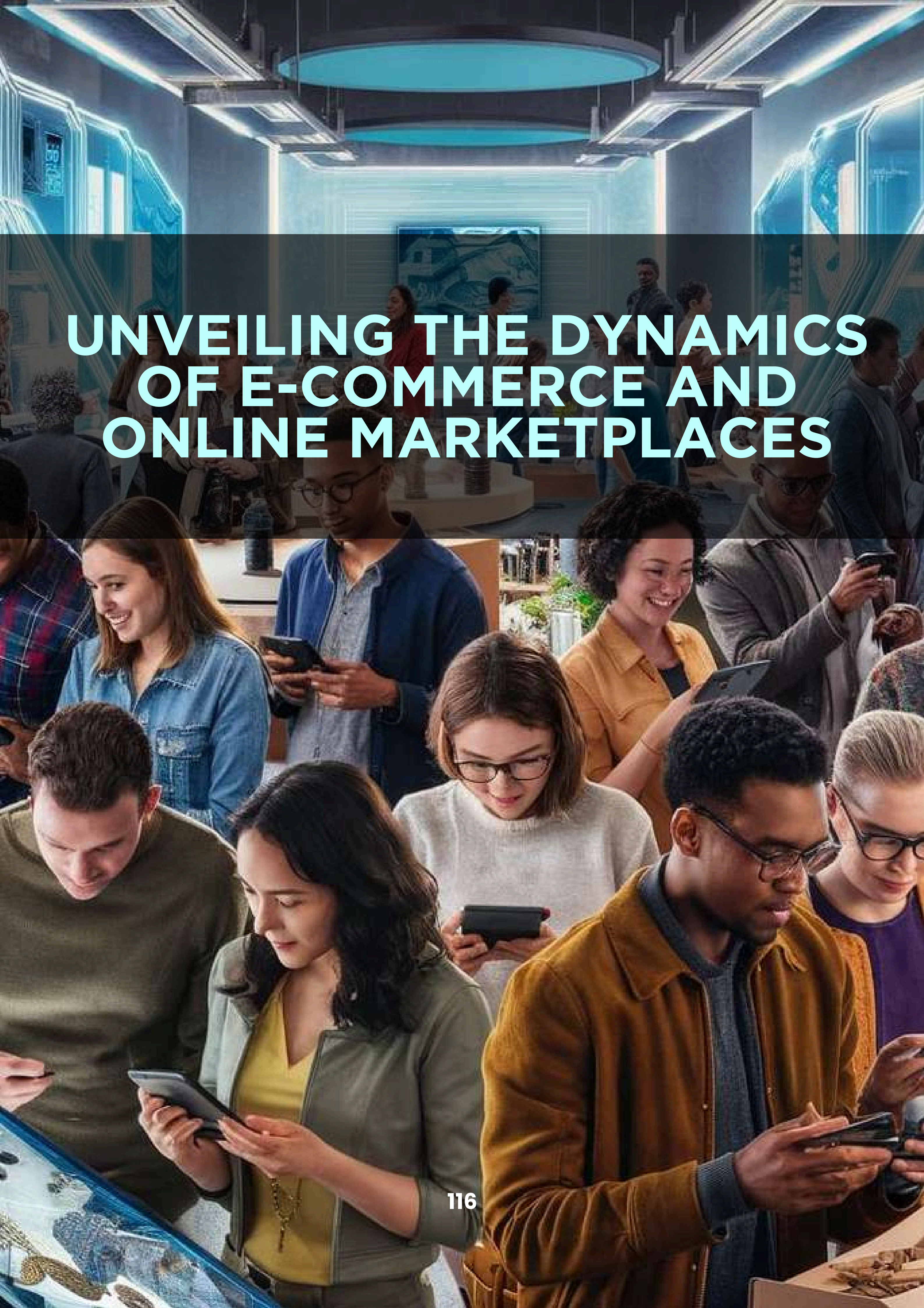


UNVEILING THE DYNAMICS OF E-COMMERCE AND ONLINE MARKETPLACES

UNVEILING THE DYNAMICS OF E-COMMERCE AND ONLINE MARKETPLACES

Mr. Dhanika Perera is the visionary founder of Helakuru, a groundbreaking mobile application that has revolutionized digital communication in Sri Lanka by enabling users to type in Sinhala. Helakuru, which translates to "Helaletter," was born out of Dhanika's deep passion for technology and his commitment to preserving and promoting the Sinhala language in the digital age.

Dhanika's journey with Helakuru began in 2011, and since then, it has grown exponentially, becoming one of the most downloaded and widely used applications in Sri Lanka. The app has played a crucial role in bridging the digital divide, allowing millions of Sri Lankans to communicate and express themselves in their native language across various digital platforms.

Beyond Helakuru, Dhanika is a serial entrepreneur and tech innovator with a strong background in software development. His contributions extend to various other projects and startups focused on leveraging technology to address local challenges and create meaningful impact. Dhanika's work has earned him numerous accolades both locally and internationally, highlighting his dedication to driving digital transformation and linguistic inclusivity in Sri Lanka. His leadership and innovative mindset continue to inspire many in the tech community, making him a prominent figure in advancing technology and digital literacy in the region.

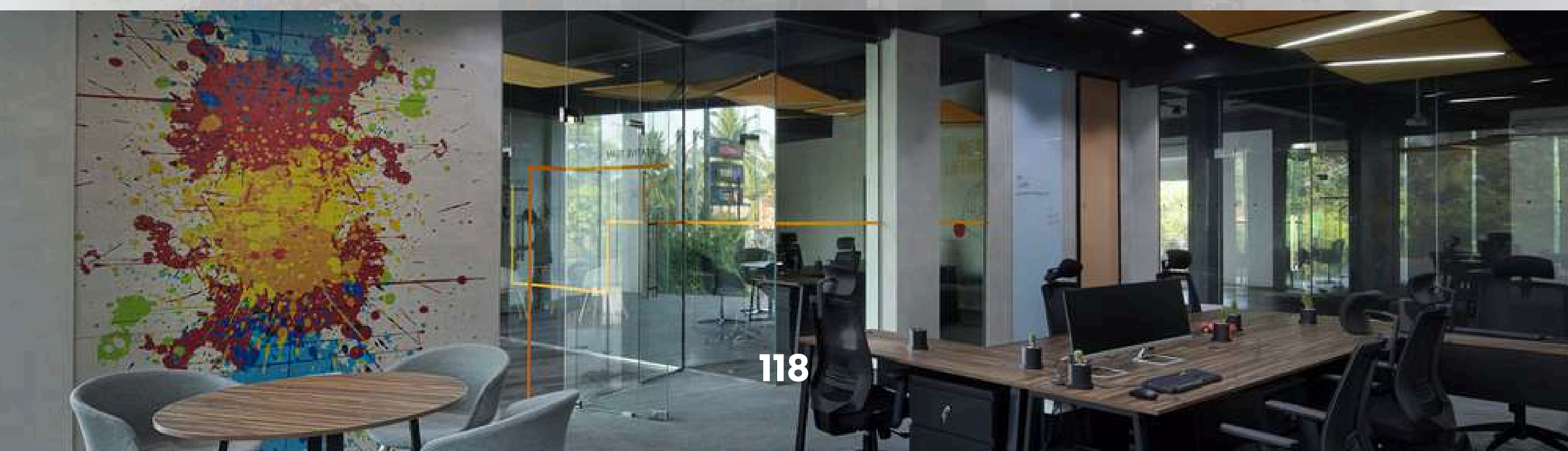
01 HOW DO YOU SEE THE EVOLUTION OF E-COMMERCE PLATFORMS IMPACTING TRADITIONAL RETAIL BUSINESSES, ESPECIALLY IN THE CONTEXT OF SRI LANKA?

> *The evolution of e-commerce has significantly impacted traditional retail businesses, primarily driven by changes in consumer behavior. In Sri Lanka, as in many other countries, there's been a noticeable shift toward valuing convenience. Consumers increasingly prefer the ease of online shopping over visiting physical stores.*

This preference stems from the ability to browse, compare products, and make purchases from the comfort of home, offering both time efficiency and convenience. This shift has significantly impacted consumer behavior, making e-commerce platforms more popular and trending compared to traditional businesses.

E-commerce platforms offer a wide range of options and competitive pricing, providing a distinct advantage over brick-and-mortar stores. Additionally, e-commerce businesses can reduce operational costs by eliminating the need for physical storefronts and associated expenses like staffing and maintenance. This cost reduction enables more competitive pricing and scalability.

Traditional retail businesses face intense competition from e-commerce platforms. While physical stores often focus on specific product categories, e-commerce platforms offer a wide range of products within a single digital environment. To remain competitive, traditional retailers should consider strategies such as adopting an Omni channel approach, which provides a seamless and integrated customer experience across various communication and shopping channels—physical stores, online platforms, mobile apps, and social media—ensuring a consistent experience regardless of how customers interact with the brand. Additionally, traditional businesses should leverage technology to enhance customer experiences and implement loyalty programs, using CRM platforms to maintain customer relationships and offer personalized experiences.



02 HOW DO YOU SEE THE E-COMMERCE AND ONLINE MARKETPLACE DYNAMICS EVOLVING IN SRI LANKA, AND WHAT ROLE WILL BHASHA LANKA PVT LTD PLAY IN THIS EVOLUTION?

Sri Lanka's e-commerce landscape has evolved rapidly, particularly during the COVID-19 pandemic, which accelerated digital literacy and online shopping adoption. As people had no choice but to embrace e-commerce during the pandemic, Bhasha Lanka Pvt Ltd has played a crucial role in facilitating digital payments and offering platforms like Helakuru, Helapay, and PayHere.

Bhasha Lanka provides a comprehensive e-commerce platform called "ShopHere," enabling merchants to set up online stores quickly without needing their own servers or domains. Through Helakuru, Bhasha Lanka also offers a payment solution that facilitates transactions between consumers and e-commerce businesses in Sri Lanka. Helapay, a digital payment mechanism, allows consumers to make payments directly from their bank accounts without needing cards, enhancing both convenience and security.

Helakuru provides a convenient digital payment solution for consumers in Sri Lanka to facilitate transactions with e-commerce businesses. The advanced digital payment mechanism, Helapay, simplifies the payment process by allowing consumers to make payments directly from their bank accounts, eliminating the need for credit or debit cards. This enhances the convenience and security of transactions.

Bhasha Lanka's initiatives aim to simplify digital transactions and empower local businesses and support the growth of e-commerce by providing robust and user-friendly solutions that cater to both merchants and consumers, ensuring the overall development of the digital marketplace in Sri Lanka.

03 COULD YOU SHARE SOME INSIGHTS ON HOW BHASHA LANKA LEVERAGES DATA ANALYTICS TO UNDERSTAND CUSTOMER BEHAVIOR AND ENHANCE USER EXPERIENCE?

Data analytics is integral to operations at Bhasha Lanka as a technological company. It is employed to monitor user engagement and retention, providing valuable insights for continuous improvement. Tools such as Firebase Analytics and Google Analytics help to analyze how users interact with Basha Lanka's apps, identify popular features, in which features consumers are spent most of the time and predict future engagement.

When considering the drawbacks Basha Lanka also uses data analytics to identify and address potential problems early on and fix them before they have a significant impact on a large number of users. Platforms like Crashlytics help to track and resolve app crashes efficiently. Furthermore, data-driven insights allow to personalize user experiences and improve products continuously.

While users do not generate data within the PayHere product, there is the capability to analyze data from all e-commerce platforms facilitated through PayHere. In the case of Payhere, Basha Lanka again use data analytics to predict consumer behaviors and spot the preferred payment options by users and predict how Basha Lanka can enhance their payment experience.

As an example, Helakuru, one of the most actively used mobile apps in the country, reaches a substantial consumer audience and provides multiple services within the same app, uses data to enhance user interactions and provide personalized content. Basha Lanka actively gathers and analyze user feedback to spot strengths and areas for improvement. This continuous feedback loop helps to maintain high user satisfaction and retention.

04 COULD YOU DISCUSS SOME OF THE KEY DIGITAL PRODUCTS DEVELOPED BY BHASHA LANKA AND THEIR IMPACT ON THE MARKET?

Basha Lanka began its journey as an entrepreneurial organization, distinct from traditional businesses. Unlike companies that focus on meeting existing market demands, Basha Lanka has always sought to identify gaps and solve problems through innovative ideas and creative solutions. This entrepreneurial spirit has driven the company to introduce new products and services that address unmet needs in the market. Bhasha Lanka has developed several key digital products, each addressing specific market needs:

Helakuru: The company's first breakthrough came with the launch of Helakuru, a product that addressed a significant challenge in Sri Lanka enabling people to express themselves in their mother tongue digitally. Over a decade ago, writing in Sinhala on digital platforms was nearly impossible. Helakuru solved this basic yet essential need, allowing people to communicate in their native language. This innovation quickly gained popularity and went viral, becoming a cornerstone of Basha Lanka's success.

Recognizing the potential of Helakuru, Basha Lanka didn't stop at solving just one problem. The company evolved Helakuru into a super app, offering a range of digital services to empower the lives including becoming the primary source of information for many users. Through the introduction of "Esana news alerts", Basha Lanka has leveraged digital technology to deliver fast and reliable information across the country. This service has had a significant impact, particularly in the political sphere, by increasing awareness and transparency among the populace.

Helapay: Helapay was developed with two primary goals in mind, to stop foreign exchange outflows caused by international card transactions and to provide a 100% local payment method. Before Helapay and other local platforms like FriMi and Genie, online payments in Sri Lanka were dominated by foreign card brands, leading to significant foreign exchange outflows.

By introducing Helapay, Basha Lanka has provided a solution that allows consumers to connect their Sri Lankan bank accounts directly to local merchants, keeping the transactions entirely within the local economy. This has resulted in over Rs. 1 billion in payments processed through Helapay within just two years.

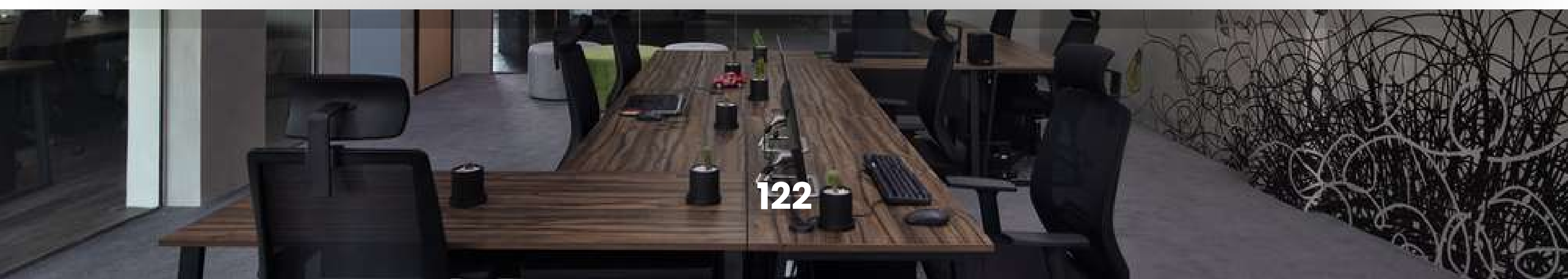
Payhere: For the business segment, Basha Lanka has made a significant impact with PayHere, an omnichannel payment gateway that allows Sri Lankan e-commerce merchants to accept payments through various methods, including cards, wallets, bank accounts, and local initiatives like Helapay. PayHere was developed to address the gap left by the lack of PayPal support in Sri Lanka, offering a local alternative that has facilitated over Rs. 15 billion in payments for more than 6,000 local merchants.

05 HOW DO REGULATORY CHANGES AFFECT BHASHA LANKA, AND WHAT MEASURES DO YOU HAVE IN PLACE TO ENSURE COMPLIANCE?

Basha Lanka's journey in establishing PayHere as a leading payment platform in Sri Lanka has been marked by significant challenges, particularly in terms of regulatory compliance. When PayHere was initially launched in 2016, the primary goal was to address a critical market gap by providing a technological solution for local businesses that were heavily reliant on foreign entities for payment processing. While the technology was sound, the regulatory framework in Sri Lanka was not yet equipped to handle such innovations, leading to compliance challenges.

Shortly after its launch, PayHere was banned by the Central Bank of Sri Lanka due to non-compliance with existing regulations. At that time, the law had not been updated to keep pace with the rapid advancements in e-commerce and technology. Despite facilitating payments for over 200 e-commerce merchants and processing more than Rs. 5 million within just two and a half months, PayHere faced regulatory hurdles due to outdated laws.

Basha Lanka took these numbers to the Central Bank to demonstrate the need for a platform like PayHere in the country. The company engaged in extensive discussions with the regulatory authorities, highlighting the necessity for updated regulations that would accommodate modern technological advancements. After significant effort and nearly two years of negotiations, the Central Bank introduced a new regulation Direction No. 1 of 2018 allowing not only banks but also service providers to facilitate payment acceptance for merchants, regulated through banks.



With the new regulation in place, Basha Lanka undertook the necessary changes to comply with the guidelines, eventually receiving Central Bank approval to relaunch PayHere in 2018. This experience underscored the importance of aligning technological innovation with regulatory requirements. As a result, Basha Lanka now proactively ensures that all legal and regulatory aspects are thoroughly checked and adhered to before launching any new services.

This commitment to compliance was evident in the launch of Helapay as a payment method and Helapay Chat as a peer-to-peer payment service. Basha Lanka ensured full compliance with the Central Bank's security guidelines, including conducting independent audits by certified security auditors before launching these services. The company also sought to enhance security further by obtaining ISO 27001 certification, a globally recognized standard for information security management.

06 WITH THE RISE OF AI AND MACHINE LEARNING, HOW IS BHASHA INCORPORATING THESE TECHNOLOGIES TO ENHANCE DECISION-MAKING AND OPERATIONAL EFFICIENCY?

As AI continues to revolutionize industries, Basha Lanka is strategically exploring how to integrate this technology into its products and services. The company recognizes the distinction between traditional AI applications and the recent emergence of generative AI, which has brought AI into the mainstream by creating content, such as text, images, and videos, autonomously.

Basha Lanka's approach to AI integration is twofold. Firstly, the company is actively researching and developing ways to incorporate generative AI into its products and services, aiming to offer AI-powered features that enhance the user experience. While these initiatives are still in the research phase, the company has several plans underway that will soon bring AI-driven innovations to its consumer offerings.

Secondly, Basha Lanka is leveraging the power of generative AI to improve its operational efficiency. By utilizing AI for decision-making, the company has been able to streamline processes, reduce the time and effort required for daily tasks, and ultimately boost productivity. For instance, AI is now an integral part of the company’s management meetings and consumer incident resolutions, helping to identify optimal solutions and providing various options for consideration.

The marketing team at Basha Lanka has also benefited significantly from generative AI. Previously, creating slogans and taglines for marketing campaigns, particularly when translating content between Sinhala and English, posed challenges. Generative AI has helped overcome these language barriers, allowing for more effective and culturally appropriate marketing strategies. Additionally, AI-generated images are now used for news covers in Esana, particularly when suitable photos cannot be sourced online. This has improved the communication of news messages to their audience.

07 WHAT TRENDS DO YOU PREDICT WILL DOMINATE THE E-COMMERCE AND ONLINE MARKETPLACE SECTORS IN THE NEXT FIVE YEARS?

Basha Lanka anticipates that the future of e-commerce will be significantly shaped by the rapid evolution of AI, particularly generative AI. The unexpected and swift development of technologies like ChatGPT has already begun to transform industries, and this trend is likely to continue.

Before the rise of generative AI, Basha Lanka believed that conversational e-commerce would dominate the market within the next five years. This approach centers on providing consumers with a personalized shopping experience, where an assistant or salesperson helps them identify their needs and find the best options. This is particularly appealing in an era where many consumers are reluctant to engage in extensive online research due to time constraints or the overwhelming volume of information.

However, with the advent of generative AI, Basha Lanka predicts a significant enhancement of conversational e-commerce. Generative AI has the potential to act as a virtual salesperson, offering a more efficient and informed service than a human counterpart. This technology can access and process vast amounts of information, enabling it to provide more accurate and comprehensive assistance to consumers.

As a result, Basha Lanka foresees a future where the integration of generative AI into conversational e-commerce will dominate the industry. This combination will not only streamline the shopping experience but also set new standards for customer service, making it a pivotal force in the e-commerce landscape over the next five years.

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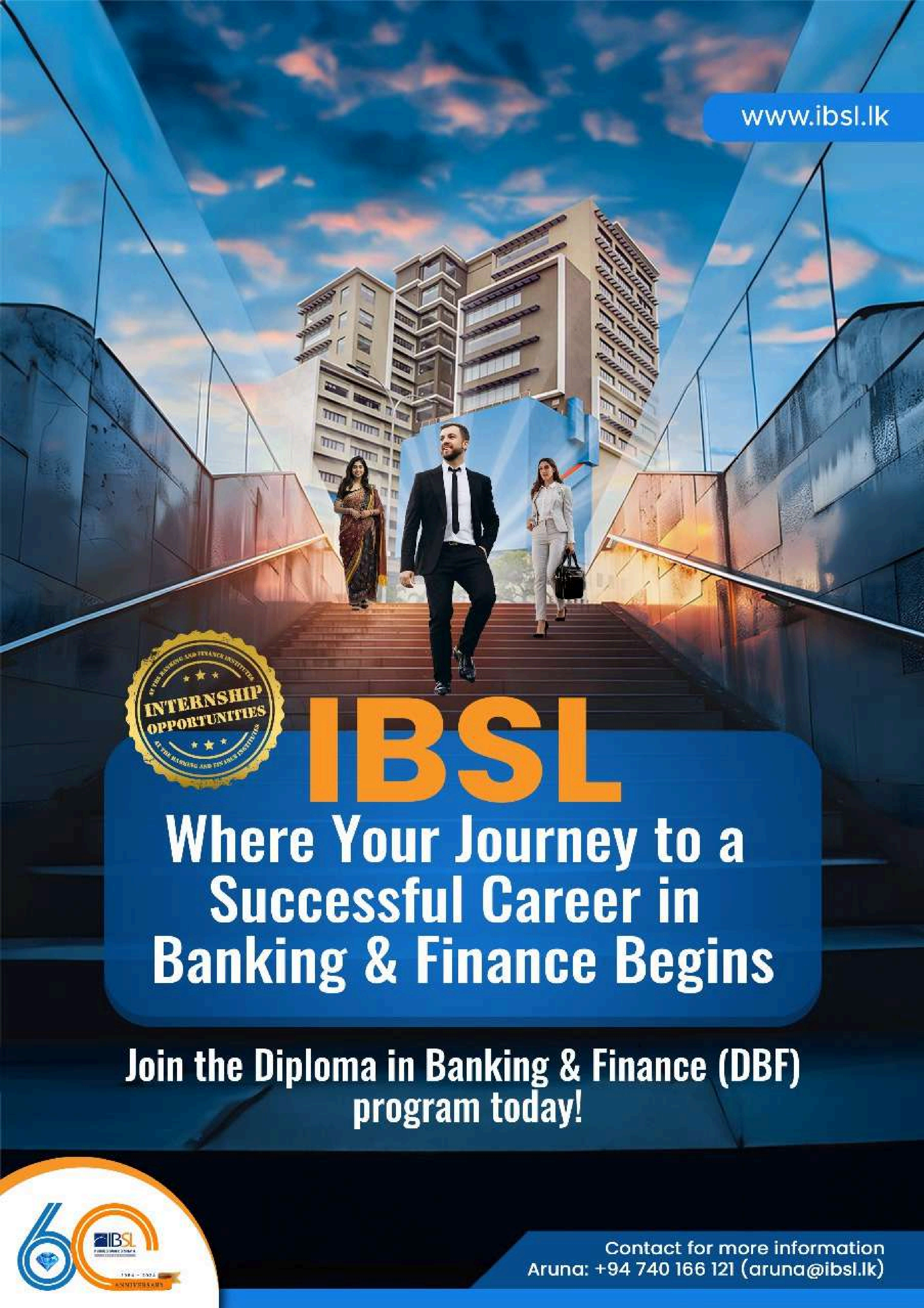
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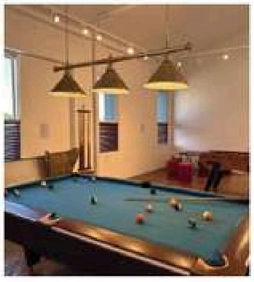

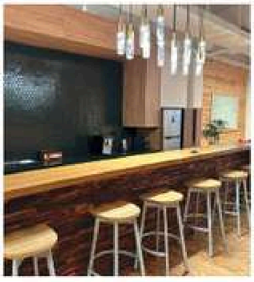

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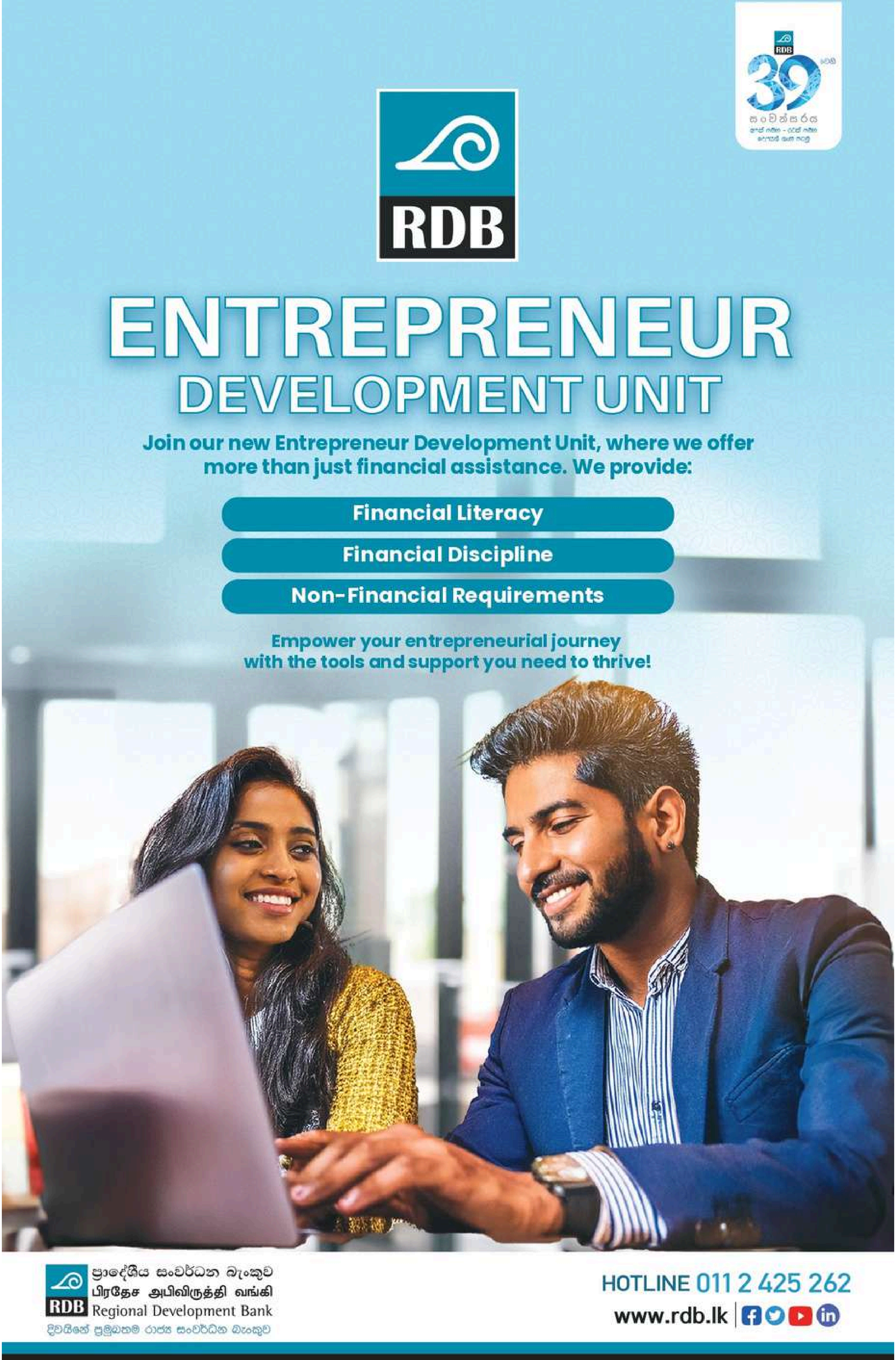
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FINANCE OUTLOOK

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