Indian Economy · GS - III

Examine how regulatory simplification and technological innovation in capital markets can contribute to India's economic growth.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 27/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Regulatory efficiency, foreign portfolio investment, disclosure requirements, proportional compliance, AI regulation, investor protection, market development

Model Answer

Capital markets mobilise savings and channel them into productive investments. As India's economy expands, an efficient and transparent securities market becomes increasingly important for financing growth.

SEBI's proposed regulatory reforms seek to address procedural complexity and improve market efficiency through several measures:

1. **Faster investment procedures:** Reducing foreign portfolio investor onboarding time can improve ease of investment and attract international capital.
2. **Simplified disclosures:** Eliminating duplicate corporate disclosures can reduce compliance costs and improve the quality of information available to investors.
3. **Rationalised penalties:** Replacing multiple exchange fines with a single penalty framework can promote consistency and reduce regulatory complexity.
4. **Proportionate compliance:** Graded obligations for brokers can accommodate differences in their size and risk profiles without compromising oversight.

5. **Technological innovation:** A domestically governed AI sandbox can facilitate experimentation with emerging technologies while allowing regulators to assess associated risks.

However, simplification must not weaken transparency, accountability or investor protection. AI-based systems also require safeguards against algorithmic bias, data misuse and cybersecurity threats.

Thus, regulatory reform should balance ease of doing business with market integrity. A predictable, technology-enabled and proportionate regulatory framework can strengthen investor confidence and support India's long-term capital formation.

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