

India at forefront of digital revolution: RBI report

Cybersecurity, data privacy, vendor risks among major challenges

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THE HINDU BUREAU

India is at the forefront of the digital revolution, leveraging on digital public infrastructure, a vibrant financial technology (FinTech) ecosystem and a conducive policy environment to emerge as the fastest-growing digital economy in the world, wrote officials of the Reserve Bank of India (RBI) said in the Report on Currency and Finance (RCF) for the year 2023-24 which was released on Monday.

Digital technologies are unlocking opportunities in financial inclusion, fiscal transfers and cross-border trade and remittances, it added in the report.

The theme of the Report is “India’s Digital Revolution”.

As per the report the positive role played by the regulatory framework has led to increasing confidence of consumers in digital financial products, boosting operating and technical efficiencies of financial institutions.

However, digital technologies also present challenges related to cybersecurity, data privacy, vendor and third-party risks, customer protection, upskilling and reskilling of human resources, complex financial products and business models, the report highlights.

“India is leading the global digital revolution, emerging as a frontrunner on the back of its robust digital public infrastructure, rapidly evolving institutional arrangements, and a growing tech-savvy population,” Shaktikanta Das, Governor, RBI said in the forward.

“Globally, India ranks first in biometric-based identification (Aadhaar) and real-time payments volume; second in telecom subscribers; and third in terms of the start-up

ecosystem,” he said.

“The flagship Unified Payments Interface (UPI) has revolutionised the retail payment experience for end- users, making transactions faster and more convenient,” he added.

“The digital lending ecosystem is becoming vibrant with initiatives such as the Open Credit Enablement Network, the Open Network for Digital Commerce and the Public Tech Platform for Frictionless Credit,” he further said.

The Governor said digitalisation in finance is paving the way for next-generation banking; improving access to financial services at affordable costs; and enhancing the impact of direct benefit transfers by effective targeting of beneficiaries in a cost-efficient manner.

Loans in the retail segment are being enabled by online payments and E-commerce is being boosted through embedded finance.

“All these innovations are making financial markets more efficient and integrated,” he said.

On the external front, digitalisation is driving growth in India’s services exports and lowering remittance costs. India’s digital journey is setting a benchmark for peer economies, he added.

Stating that digitalisation also presents challenges related to cybersecurity, data privacy, data bias, vendor and third-party risks, and customer protection, he cautioned that increased inter-connectedness may lead to systemic risks.

“Additionally, emerging technologies can introduce complex products and business models with risks that users may not fully understand, including the proliferation of fraudulent apps and mis-selling through dark patterns. Digitalisation may induce human resource challenges in the financial sector, necessitating strategic investments in upskilling and reskilling,” the governor said.

In this rapidly evolving landscape, balancing financial stability, customer protection and competition will remain the key policy challenge, he said.