



Reserve Bank of India

RBI has recently set up a Working Group on Digital Lending

January 13, 2021

Relevant to MMFSL

Background

- Digital lending has the potential to make access to financial products and services more fair, efficient and inclusive.
- From a peripheral supporting role a few years ago, FinTech led innovation is now at the core of the design, pricing and delivery of financial products and services.
- While penetration of digital methods in the financial sector is a welcome development, the benefits and certain downside risks are often interwoven in such endeavors.
- A balanced approach needs to be followed so that the regulatory framework supports innovation while ensuring data security, privacy, confidentiality and consumer protection.

Working Group Function

- Evaluate digital lending activities and assess the penetration and standards of outsourced digital lending activities in RBI regulated entities;
- Identify risks posed by unregulated digital lending to financial stability, regulated entities and consumers;
- Suggest regulatory changes, if any, to promote orderly growth of digital lending;
- Recommend measures, if any, for expansion of specific regulatory or statutory perimeter and suggest the role of various regulatory and government agencies;
- Recommend a robust Fair Practices Code for digital lending players, insourced or outsourced;
- Suggest measures for enhanced Consumer Protection; and
- Recommend measures for robust data governance, data privacy and data security standards for deployment of digital lending services.

Who are the members?

- The WG will consist of both internal and external members.
- The internal members are RBI executive director Jayant Kumar Dash, chief general manager (CGM)-in-charge of the department of supervision Ajay Kumar Choudhary, and CGMs P Vasudevan and Manoranjan Mishra.
- The external members are Vikram Mehta, co-founder of peer-to-peer (P2P) lending platform Monexo Fintech and Rahul Sasi, cybersecurity expert and founder of digital risk monitoring firm CloudSEK.

For Further Reading

1. https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50961
2. <https://www.financialexpress.com/industry/banking-finance/rbi-forms-working-group-to-evaluate-digital-lending/2170429/>
3. <https://www.gktoday.in/current-affairs/rbi-working-group-on-digital-lending/>