

RBI sets up Working Group on Digital Lending

January 15, 2021

In news : Recently, the Reserve Bank of India (RBI) has constituted a working group on digital lending, including through online platforms and mobile apps. The group has been asked to submit its report within three months.

Why did the RBI constitute it?

- The current move of RBI is to tackle fly-by-night lending apps which have been offering digital loans to underserved customers.
- These platforms have come under the RBI's glare for their adoption of coercive means of loan recovery.
- As per the RBI, penetration of digital methods in the financial sector is a welcome development, the benefits and certain downside risks are often interwoven in such endeavours.
- A balanced approach needs to be followed so that the regulatory framework supports innovation while ensuring data security, privacy, confidentiality and consumer protection. Recent spurt and popularity of online lending platforms/ mobile lending apps ('digital lending') has raised certain serious concerns which have wider systemic implications.

Composition of the group

The Working Group 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.

What will be the role of the Working Group?

- The group **will study all aspects of digital lending activities in the regulated financial sector** as well as by unregulated players so that an appropriate regulatory approach can be put in place.
- It will **evaluate digital lending activities and assess the penetration** and standards of outsourced digital lending activities in RBI-regulated entities.
- The group will also be tasked with **identifying risks posed by unregulated digital lending to financial stability, regulated entities** and consumers and suggest regulatory changes, if any, to promote the orderly growth of digital lending.
- The proposed working group will be expected to recommend measures, if any, for expansion of specific regulatory or statutory perimeters and suggest the role of various regulatory and government agencies.
- It shall also recommend a fair practices code for digital lending players, insourced or outsourced, and suggest measures for enhanced consumer protection.
- In addition, the recommendation of measures for robust data governance, data privacy and data security standards for deployment of digital lending services will come under the group's purview.