

Norms for payment apps

5th December, 2018



What to study?

For Prelims and Mains: Need for norms for payment apps- concerns, issues and challenges.

Context: The Ministry of Electronics and Information Technology (MeitY) has asked the Reserve Bank of India (RBI) to come up with regulations to oversee collection, usage and sharing of data by payment service providers.

Present concerns and the need for norms:

- Recently National Cyber Security Coordinator (NCSC) had raised concerns over collection and storage of “**sensitive personal data**” by payment service providers via applications such as Google Tez, WhatsApp and Paytm.
- The NCSC had pointed out that there was **no agreement between the National Payments Corporation of India (NPCI), the banks and the applications** that provided payment services. Additionally, there is no liability of NPCI and the payment service providers.
- There is also **no provision to protect the interest of the consumer** against the pilferage, leakage and sharing of data, which is of sensitive nature.

Need of the hour- recommendations by NCSC and RBI:

- There is a need to scrutinise all aspects of a relation – legal, technical and financial, between all the stakeholders in the payments ecosystem.
- Payments service providers must comply with legal framework as well as regulations prescribed by the regulator.
- RBI should lay down regulations, that would bind the collection, usage and sharing of data, by participants in the payments arena.

NPCI:

- National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments system in India. It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks’ Association (IBA). NPCI has ten promoter banks.
- Its recent work of developing Unified Payments Interface (UPI) aims to move India to a cashless society with only digital transactions.
- It has successfully completed the development of a domestic card payment network called RuPay, reducing the dependency on international card schemes.

To be looked in UPSC Paper 3 Topic :

1. Inclusive growth and associated issues.