Reviewing the Digital Banking

Why in news?

Recently, RBI asked HDFC Bank to stop sourcing new credit card customers and to halt digital business generating activities.

Why this action was taken?

- The bank has some technical issues in its digital infrastructure.
- Over the past two years, it is facing certain glitches and interruption in internet banking, mobile banking and payment utilities.
- On November 21, bank faced disruption in its banking and payment system due to a power failure in the primary data centre.

Why there are frequent glitches in digital channels in recent months?

- In the last eight months, Digital transactions have increased rapidly due to outbreak of coronavirus and fear of infection.
- In 2020, between April & November Value of UPI transactions increased to 89% & transactions through Bharat Bill Payments was 90% higher.
- Recently, State Bank of India's YONO app had also witnessed technical glitches for more than a day.
- As per Accenture recent report, in India transactions worth $270.7 billion are expected to shift from cash to cards and digital payments by 2023 and to $856.6 billion by 2030.
- Therefore, this surge in volume of transactions is creating problem to banks' core banking system.

What are the measures need to be taken?

- Banks, NBFCs and other financial entities have to invest more in their IT systems, upgrade the technology in order to make the systems robust.
- RBI is proposing to issue **Digital Payment Security Controls Directions, 2020** to ensure stronger security controls are stronger for channels like internet, mobile banking, card payments, among others.
- RBI should also conduct a comprehensive review of the existing IT backbone of banks to gauge their ability to meet the expected surge in usage in the coming decade.
- Rapid growth in business without possessing the required infrastructure will

lead to erosion of public trust.

Source: Business Line

