

## RBI PANEL TO EXAMINE DIGITAL LENDING RISKS

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

The Reserve Bank of India (RBI) on Wednesday said it has formed a working group to study aspects of digital lending by regulated and unregulated players, including [mobile apps](#).

The move indicates [RBI's](#) intent to look into the practices followed by lending apps, even those that do not have a regulated entity such as a non-bank financier linked to it. The working group has been advised to submit its report within three months.

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The covid-19 pandemic has pushed people to the brink, forcing them to opt for quick loans at the click of a button from lending apps. However, when borrowers were unable to repay these loans, along with an usurious interest rate, these companies resorted to coercive recovery tactics.

"While the penetration of digital methods in the financial sector is a welcome development, the benefits and certain downside risks are often interwoven in such endeavours," the central bank said.

The panel members comprise four RBI officials and two external experts. It will be led by Jayant Kumar Dash, executive director, RBI, and will have Ajay Kumar Choudhary, chief general manager-in-charge, supervision, P. Vasudevan, chief general manager, payment and settlement systems, and Manoranjan Mishra, chief general manager, regulation, as the other internal members. External members include Vikram Mehta, co-founder, Monexo Fintech; and Rahul Sasi, cybersecurity expert and founder of CloudSEK.

"The recent spurt in the popularity of online lending platforms/mobile lending apps has raised certain serious concerns that have wider systemic implications," RBI said, adding that the working group will examine all aspects of the sector that will help the central bank to put an appropriate regulatory approach in place.

RBI lacks regulatory powers as most lending apps are not registered as non-banking financial companies, but under money lending Acts of various state governments. The working group will thus evaluate digital lending activities and assess the penetration and standards of outsourced digital lending activities in RBI-regulated entities. It will identify risks posed by unregulated digital lending firms to financial stability, regulated entities and consumers.

The working group, RBI said, will suggest regulatory changes, if any, to promote orderly growth of digital lending, recommend steps to expand a specific regulatory or statutory perimeter, and suggest the role of various regulatory and government agencies.

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