

# **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** 

