

## 1. Cyber Security a Critical Challenge for India's Digital Payments

### Ecosystem

#### Context:

- Demonetization resulted in the withdrawal of 86% of India's total currency value in circulation, leading to an enormous increase in the adoption and dependence on digital payments.
- Digital payments in India are witnessing consistent growth at a compound **Annual Growth Rate (CAGR) of 12.7%**, while the mobile wallet market is expected to continuously grow at a CAGR of 52.2% by volume between 2019-23.

#### Going Digital:

- While becoming a cashless economy is the end-goal, it is important to understand that the sudden push to 'go digital' may test the existing security and fraud control frameworks extensively.
- India's status as a digital economy is at a very nascent stage and will evolve and innovate drastically in the coming years, especially with the increased convergence of sectors such as financial services, telecom, and information technology.

#### Challenges in the Digital Payments:

- Cyber security is one of the most critical challenges faced by stakeholders of the digital payment ecosystem.
- With more and more users preferring digital payments, the chances of getting exposed to **Cyber Security risks such as online fraud, information theft, and malware or virus attacks are also increasing.**
- **Digital payment frauds account for about half of all bank frauds in India.** In view of this, the Reserve Bank of India (RBI) has also issued some guidelines as security and risk mitigation measures for digital payments.
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#### Securing the Fintech Revolution:

- We need to understand that fraudsters today are building advanced technologies that can target the digital payments ecosystem.

- The changing nature of cyber security attacks such as web application attack, **ransomware, reconnaissance, and DDoS attack clearly establish cyber-risk as a New Reality.**
- A **robust regulatory framework, an effective customer redressal framework, fool proof security measures to enable confidence and trust**, incentives for larger participation and benefits similar to cash transactions are some measures that can help ensure long-term success for digital payments.
- India is witnessing a consistent growth in usage of debit/credit cards over the last few years, but along with it also comes the increasing number of frauds involving these cards.
- We can leverage technology for making these popular methods of cashless payments secure. **Biometric authentication-enabled cards can provide a greater layer of security by enabling replacement of Traditional PIN.**
- Safety is ensured as the consumer's fingerprint is stored only in the secure chip within the card and the same chip is used to match the scanned fingerprint with the stored one.
- The biggest advantage is that the bank or merchant cannot access the consumer's biometric data, which also counters potential privacy concerns.

### **Conclusion:**

- Despite all the security concerns, instruments such as debit/credit cards are becoming extremely popular in India with millennials emerging as the primary growth drivers.
- RBI has forecast a **50% increase in mobile-based Payment Transactions**. Payment systems such as UPI/IMPS are likely to register average annualised growth of over 100%, according to RBI's 2021 vision document.
- Though cyber security and digital payment fraud cases pose a great risk, the digital payment ecosystem can surely be strengthened, with organisations, users, and the government sharing the responsibility of securing the digital payments.