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**STANDING COMMITTEE ON FINANCE
(2017-18)**

SIXTEENTH LOK SABHA

**MINISTRY OF FINANCE
(DEPARTMENTS OF FINANCIAL SERVICES)**

[Action taken by the Government on the recommendations contained in Fifty-Sixth Report on 'Transformation towards a Digital Economy']

SIXTY-NINTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2018 / Bhadrapada, 1940 (Saka)

SIXTY-NINTH REPORT

**STANDING COMMITTEE ON FINANCE
(2017-2018)**

(SIXTEENTH LOK SABHA)

**MINISTRY OF FINANCE
(DEPARTMENTS OF FINANCIAL SERVICES)**

[Action taken by the Government on the recommendations contained in Fifty-Sixth Report on 'Transformation towards a Digital Economy']

Presented to Hon'ble Speaker on 31 August, 2018

Presented to Lok Sabha on _____, 2018

Laid in Rajya Sabha on _____, 2018



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2018 / Bhadrapada, 1940 (Saka)

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COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2017-18

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Kunwar Pushpendra Singh Chandel
3. Shri Bandaru Dattatreya
4. Shri Nishikant Dubey
5. Shri Venkatesh Babu T. G.
6. Shri P.C. Gaddigoudar
7. Shri C. Gopalakrishnan
8. Shri Shyama Charan Gupta
9. Shri Rattan Lal Kataria
10. Shri Chandrakant Khaire
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Rajiv Pratap Rudy
16. Shri Jyotiraditya M. Scindia
17. Shri Gopal Shetty
18. Dr. Kiritbhai P. Solanki
19. Dr. Kirit Somaiya
20. Shri Dinesh Trivedi
21. Shri Shivkumar Udasi

RAJYA SABHA

22. Shri Rajeev Chandrasekhar
23. Shri Anil Desai
24. Dr. Narendra Jadhav
25. Shri A. Navaneethakrishnan
26. Shri Mahesh Poddar
27. Dr. Mahendra Prasad
28. Shri C.M. Ramesh
29. Shri T.K. Rangarajan
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

- | | | | |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh Yaduvanshi | - | Joint Secretary |
| 2. | Shri Rajesh Ranjan Kumar | - | Director |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |

4. Shri Tenzin Gyaltzen - Committee Officer

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Sixty-ninth Report on action taken by Government on the Observations / Recommendations contained in the Fifty-sixth Report of the Committee (Sixteenth Lok Sabha) on 'Transformation towards a digital economy' of the Ministry of Finance (Department of Financial Services).

2. The Fifty-Sixth Report was presented to Lok Sabha / laid on the table of Rajya Sabha on 03.01.2018. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 27 July, 2018.

3. The Committee considered and adopted this Report at their sitting held on 27 August, 2018.

4. An analysis of the action taken by the Government on the recommendations contained in the Sixty-ninth Report of the Committee is given in the Appendix.

5. For facility of reference, the observations / recommendations of the Committee have been printed in bold in the body of the Report.

NEW DELHI
27 August, 2018
05 Bhadrapada, 1940 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Standing Committee on Finance

REPORT

CHAPTER I

This Report of the Standing Committee on Finance deals with the action taken by the Government on the recommendations/observations contained in their Fifty-Sixth Report on 'Transformation towards a Digital Economy' pertaining to the Ministry of Finance (Department of Financial Services) which was presented to Lok Sabha and laid in Rajya Sabha on 3rd January, 2018.

2. Action taken notes have been received from the Ministry of Finance (Department of Financial Services) on 27th July, 2018 in respect of all the 13 recommendations/observations contained in the Report. The replies have been analyzed and categorized as follows:

- (i) Recommendations/Observations that have been accepted by the Government:
Recommendation Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12
(Total 12)
(Chapter- II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:
Recommendation No. NIL
(Total : 0)
(Chapter- III)

- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:
Recommendation No. 13
(Total 1)
(Chapter -IV)

- (iv) Recommendations/Observations in respect of which final replies by the Government are still awaited:
Recommendation No. NIL
(Total - NIL)
(Chapter- V)

3. The Committee desire that the replies to the observations / recommendations contained in Chapter-I of this Report may be furnished to them expeditiously.

4. The Committee will now deal with and comment upon the action taken by the Government on some of their recommendations.

Recommendation (Sl. No. 1)

5. India's cash to GDP ratio (12.2 % as at the end of March 2016 and 8.8 % as at the end of March 2017) was substantially higher and it ranked very low with respect to total number of digital transactions as well as number of digital payment points per million persons. In the given scenario, transformation to digitalised economy is not only a natural trajectory of progression to a developed economy but also an expedient necessity. The Committee noted that digitalization leading to a less-cash economy was included as a supplementary objective of demonetisation of high-value currency notes of Rs 500 and Rs 1000 effected on 8 November 2016, while there was an ongoing Digital India Programme which envisaged transforming India into a digitally empowered economy and knowledge society through a capable infrastructure, digital governance and digital services to the citizens. It is a programme that covers multiple Ministries and Departments and is being implemented and funded by various central Ministries/Departments of Government of India and State/UT Governments. The Committee noted that promotion of a digital transaction ecosystem is a consequential extension of the Digital India programme and had the inherent capacity to transform India's economy through formalization of financial transactions /payments. Digital transactions allow for services to be delivered at a competitive cost, afford greater scalability and enable small and micro enterprises to access formal financial services and benefits of e-commerce. Such a process could create a multiplier effect in efficiency of capital use through greater transparency, traceability of transactions, enforceability of law and significantly buoyed tax revenues for social welfare. Further, in addition to accelerating financial inclusion, opening up new business models and markets, digital payments could be expected to improve the State's ability to curb tax leakages and reduce cash related costs and inconvenience. The Committee therefore expected the government to proceed systematically towards achievement of these objectives, so that the transformation towards a digital economy could take place in a smooth and orderly manner.

6. In their Action Taken Replies, the Government have stated as under :-

Ministry of Finance (Department of Financial Services)

"As informed by Ministry of Electronics and Information Technology (MeitY), who has been mandated to handle "Promotion of Digital Payments including digital transactions", they are working on various strategies and are operating with multiple stakeholders including Banks, Central Ministries/Departments and States to create a conducive environment to enable digital payments across the country. MeitY has been working closely with RBI, NPCI, Banks to enhance digital payment acceptance infrastructure in the country. Further, in association with Common Service Centres (CSC), a pilot project is being conducted in Varanasi for achieving saturation coverage of BHIM QR for merchants. Once completed, the model will be assessed for expanding to other parts of the country. MeitY has held several one-to-one meetings and workshops with Ministries/Departments/ States to enhance awareness of digital payments. MeitY is also working with RBI to enable framework for determination of liability in case of frauds in digital transactions. Further, they are working with Department of Consumer Affairs to look into grievance redressal of consumers on digital payments."

7. The Committee note that the Ministry of Electronics of Information Technology (MeitY) has taken various steps in pursuance of the recommendations of the Committee. The Committee would now expect these measures to be taken to their logical outcomes, which will enable smooth digital processes and its rapid expansion across the country.

Recommendation (SI. No. 3)

8. The Committee were perturbed to note that high cost of digital transactions was one of the major lacunae for the masses to adopt this transformative mode. The Committee pointed out that the average volume of digital transactions being on the lower side, the related transaction cost got higher. Although, the government had begun to somewhat incentivise digital transactions, the Committee recommended that to

institute a behavioural and societal change, the government needed to substantially rationalise digital transaction costs and provide incentives, especially for the lower value of transactions.

9. In their Action Taken Replies, the Government have stated as under :-

Ministry of Finance (Department of Financial Services)

- (i) As informed by Ministry of Electronics & Information Technology (MeitY), Government of India, *vide its* notification number 6(19)/2017-DPD-1 dated 27thDecember, 2017, it was decided to absorb the Merchant Discount Rate (MDR) charges for all the digital transactions using debit cards, BHIM-UPI and BHIM Aadhaar Pay of value less than or equal to Rs.2,000/- with effect from 1.1.2018 for a period of two years. This would promote digital transactions, particularly low value transactions in the country.
- (ii) In order to promote Digital transactions, MeitY has already launched the BHIM (Bharat Interface for Money) incentive schemes for Individuals and merchants. Under the BHIM referral scheme for individuals, the referrer and referee both individual will receive the cash back of Rs.25 for making digital transactions using BHIM app/ Bank's Mobile app. Similarly under BHIM cash-back scheme for merchants, merchants can receive the incentives up to Rs.1,000 per month for accepting the transactions using BHIM/UPI apps. Further, Meity, *vide its* notification dated 26.4.2018 has extended the above mentioned MDR charges and BHIM (Bharat Interface for Money) Cash back scheme for Merchants' till 31.3.2019.
- (iii) As reported by NPCI, number of transactions on BHIM and UPI for 2017-18 was 100.31 crore (volume-wise) and Rs.1398.50 billion (value-wise). Number of transactions on BHIM and UPI for April, 2018 to June, 2018 has risen sharply with 66.91 crore (volume-wise) and Rs.1180.78 billion (value-wise). In month of June, 2018, transactions have crossed 10 million in a single day

10. While noting the steps taken so far by the Ministry to incentivise digital transactions, particularly of low value, the Committee would expect similar incentivisation for merchant transactions and other digital platforms.

Recommendation (Sl. No. 4)

11. In this connection, the Committee during the course of their examination of the subject had raised the issue of waiving off the merchant discount rate (MDR) applicable on digital payments pertaining to the retail sector. It is a charge paid by a merchant to a bank for accepting payment from customers through credit or debit cards and is expressed as a percentage of the transaction amount. The Committee were happy to note that the government had now taken a decision to bear the cost of MDR-applicable on transactions made through debit cards, the Unified Payment Interface (UPI) and Aadhar-enabled payments system upto and including a value of Rs2000 for a period of two years with effect from January 1, 2018. Earlier, the RBI brought in changes to the MDR for debit card transactions, capping it at 0.4% (MDR cap of Rs 200 per transaction) for merchants with a turnover of Rs20 lakh, if the transaction involved physical infrastructure such as a swipe machine. For merchants with annual turnover of more than 20 lakh, it has been capped at 0.9% (MDR cap of Rs1000 per transaction). The Committee hoped that these measures along with such other incentives will help truly popularize digital mode of transactions and encourage customers to prefer digital to cash mode. In this context, the Committee emphasised that digitalisation should be incentivized and not pushed in a coercive manner by rendering ATM machines non-functional etc, and causing needless inconvenience to the common people. Processes should not be hastened without adequate back-up infrastructure and a robust framework. Vigorous efforts should be made to expand and improve in tandem digital infrastructure and network connectivity for smoothening the process of digitalisation. Efforts should also be made to promote and encourage indigenous manufacture of consumer devices and other telecom equipment as well as R&D in the telecom sector.

12. In their Action Taken Replies, the Government have stated as under :-

Ministry of Finance (Department of Financial Services)

Efforts made by Banks to expand digital payments acceptance infrastructure, *inter-alia*, include:

- Number of PoS terminals have increased from 15.11 lakh in Oct., 2016 to 32.54 Lakh in April, 2018 (till 27th April, 2018)
- Since launch in February, 2017, Bharat QR code deployment has reached 10.7 Lakh in April, 2018 (till 27th April, 2018)
- Since launch in August, 2016, BHIM UPI deployment has reached 20.86 Lakh in April, 2018 (till 27th April, 2018)
- Since launch in April, 2017, BHIM AadhaarPoS deployment has reached 5.19 Lakh in April, 2018 (till 27th April, 2018)
- Since launch in 2015, Bank Own wallet have reached 66.88 Lakh in April, 2018 (till 27th April, 2018)

Further, RBI has waived permission for all commercial banks (excluding Regional Rural Banks) for installation of ATMs at branches and extension counters for which they hold licenses issued by RBI, subject to reporting. Further, as per Branch Authorization Policy of RBI, Scheduled Commercial Banks are permitted to install off-site / mobile ATMs at centers/places identified by them, including Special Economic Zones, without permission from RBI, subject to certain conditions. To expand the reach of ATMs in Tier III to VI centers (classification of centers as prescribed under the Census of India 2011), RBI has issued guidelines on 20.6.2012 to permit non-bank entities incorporated in India under the Companies Act, to set up, own and operate "White Label ATMs". As on 31.3.2018, Scheduled Commercial Banks have total 2,22,066 ATMs (including white label ATMs, across the country. Further, the total number of functional ATMs as on 17th July, 2018

constitutes around 88.97% of the total ATMs as on 31st Dec, 2017.

13. The Committee note the efforts made so far by the banks to expand the process of digitalisation and to smoothen the process towards a wide digital payments acceptance infrastructure. As cooperation between the Government, RBI and PSUs is necessary for creating a comprehensive digital framework, which is consumer friendly, the Committee would reiterate that the Government should make vigorous efforts to expand and improve in tandem digital infrastructure and network connectivity for further smoothening the process of digitalisation. Further, the Committee would also reiterate their recommendation for promoting indigenous manufacture of consumer devices and other telecom equipment as well as R&D in the telecom sector.

Recommendation (Sl. No. 13)

14. The Committee found it rather disconcerting that even as the country moved towards a digital economy, transactional hassles and grievances of users including ATM frauds such as cloning, phishing etc. have also increased manifold. Ordinary customers were then left high and dry, extremely helpless and clueless about the next course of action for a remedy and redressal of grievance. The liability and accountability question in all such cases still remained fluid. The Committee therefore urged the government to bring in necessary legal/procedural provisions which would pinpoint consequential liability of the bank or financial institution or any other entity connected with the transaction, so that the user/customer is not put to hardship for not fault of his/her. The customer/user should also be provided with an empowered and responsive common Helpline (SOS) number, which he/she can approach whenever he/she requires. There should also be a dispute settlement mechanism wherein the onus of frauds etc. could be clearly defined and resolution provided promptly in a time-bound manner.

15. In their Action Taken Replies, the Government have stated as under :-

Ministry of Finance (Department of Financial Services)

In the wake of increasing incidents including cloning, phishing etc. banks have been advised to inter alia, strengthen surveillance of ATM operations to monitor any abnormal / suspicious activity at ATMs; to review ATM installations and take necessary action to safeguard them against security issues; strengthen security of ATM Switch and the related ecosystem. Various security measures have been advised for implementation by banks to minimise the cyber threats related to ATM cards, including international usage. These, inter alia include:

- i) Banks have been advised to provide online alerts for all card transactions (card present and card not present), vide RBI circular dated February 18, 2009 and March 29, 2011.
- ii) As per RBI instructions, banks have been mandated to resolve customer complaints by re-crediting the customer account within 7 working days from the date of complaint vide circular dated 27.5.2011.
- iii) Reserve Bank of India also issued circulars dated February 28, 2013 and June 24, 2013 for securing electronic (online and e-banking) transactions, including ATM cards advising banks to introduce additional security measures, as under:
 - a) All new debit and credit cards to be issued only for domestic usage unless international use is specifically sought by the customers. Such cards enabling international usage will have to essentially EMV Chip and PIN enabled.
 - b) Issuing banks should convert all existing MagStripe cards to EMV Chip card for all customers who have used their card internationally at least once (for/ through e-commerce/ATM/POS).
 - c) All the active MagStripe International cards used by banks should have threshold limit for international usage which is to be determined by the bank based on the risk profile of the customer and accepted by the customer. Till such time this process is completed an omnibus threshold limit (say, not exceeding USD 500) as determined by each bank may be

put in place for all debit cards and all credit cards that have not been used for international transactions in the past.

iv) Banks were asked to secure the technology infrastructure, improve fraud risk management practices, etc. Reserve Bank of India vide dated 1st July, 2015 had released Master Circular on Customer Service in Banks dated 1st July, 2015 which, inter alia, had mandated the following:

- a) Banks should formulate a Board-approved customer compensation and customer grievance redressal policies.
- b) Grievance redressal mechanism - Banks should ensure that a suitable mechanism exists for receiving and addressing complaints from its customers / constituents with specific emphasis on resolving such complaints fairly and expeditiously regardless of source of the complaints.

The Banking Ombudsman Scheme 2006 (As amended upto 1st July, 2017) was introduced with the object of enabling resolution of complaints relating to certain services rendered by banks and to facilitate the satisfaction or settlement of such complaints. Under the amended scheme, a customer would also be able to lodge a complaint against the bank for its non-adherence to RBI instructions with regard to Mobile Banking/ Electronic Banking services in India. A circular on Customer Protection – Limiting Liability of Customers in Unauthorized Electronic Banking Transactions was issued on July 06, 2017 for determining the customer liability. Meity is working with Ministry of Consumer Affairs (MoCA) on improving the grievance redressal mechanism for digital Payments by Utilising National Consumer Helpline (NCH) Platform. Meity has informed that the process of on boarding all the banks with NCH platform is going on. NPCI has also been asked to integrate themselves as a convergence partner on the NCH platform.

16. The Committee had recommended in their earlier Report that the issues faced by common people viz. transactional hassles, ATM frauds, cloning and phishing of card and sensitive personal information have been increasing in recent times. The Committee further note with concern that such incidents and their frequency is only going to increase by the day as establishments and people move towards a complete digital ecosystem. The Committee would therefore

reiterate that Government should initiate specific steps towards formalisation of a dedicated common 24x7 helpline (toll free number) with a view to resolving all queries related to dispute settlement and fixing of liability and accountability.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No. 1)

India's cash to GDP ratio (12.2 % as at the end of March 2016 and 8.8 % as at the end of March 2017) is substantially higher and it ranks very low with respect to total number of digital transactions as well as number of digital payment points per million persons. In the given scenario, transformation to digitalised economy is not only a natural trajectory of progression to a developed economy but also an expedient necessity. The Committee note that digitalization leading to a less-cash economy was included as a supplementary objective of demonetisation of high-value currency notes of Rs 500 and Rs 1000 effected on 8 November 2016, while there was an ongoing Digital India Programme which envisaged transforming India into a digitally empowered economy and knowledge society through a capable infrastructure, digital governance and digital services to the citizens. It is a programme that covers multiple Ministries and Departments and is being implemented and funded by various central Ministries/Departments of Government of India and State/UT Governments. The Committee note that promotion of a digital transaction ecosystem is a consequential extension of the Digital India programme and has the inherent capacity to transform India's economy through formalization of financial transactions /payments. Digital transactions allow for services to be delivered at a competitive cost, afford greater scalability and enable small and micro enterprises to access formal financial services and benefits of e-commerce. Such a process can create a multiplier effect in efficiency of capital use through greater transparency, traceability of transactions, enforceability of law and significantly buoyed tax revenues for social welfare. Further, in addition to accelerating financial inclusion, opening up new business models and markets, digital payments can be expected to improve the State's ability to curb tax leakages and reduce cash related costs and inconvenience. The Committee would therefore expect the government to proceed systematically towards achievement of these objectives, so that the transformation towards a digital economy can take place in a smooth and orderly manner.

Reply of the Government:

As informed by Ministry of Electronics and Information Technology (MeitY), who has been mandated to handle “Promotion of Digital Payments including digital transactions”, they are working on various strategies and are operating with multiple stakeholders including Banks, Central Ministries/Departments and States to create a conducive environment to enable digital payments across the country. MeitY has been working closely with RBI, NPCI, Banks to enhance digital payment acceptance infrastructure in the country. Further, in association with Common Service Centres (CSC), a pilot project is being conducted in Varanasi for achieving saturation coverage of BHIM QR for merchants. Once completed, the model will be assessed for expanding to other parts of the country. MeitY has held several one-to-one meetings and workshops with Ministries/Departments/ States to enhance awareness of digital payments. MeitY is also working with RBI to enable framework for determination of liability in case of frauds in digital transactions. Further, they are working with Department of Consumer Affairs to look into grievance redressal of consumers on digital payments.

[Ministry of Finance (Department of Financial Services) O.M. No. 7/1/2018- Parl dated 25.07.2018]

Comments of the Committee

(Please see Para No. 7 of Chapter 1)

Recommendation (Serial No. 2)

The Committee find from available accounts that progress of digitalisation has been slower than envisaged, although certain digital modes had peaked soon after demonetisation due to cash crunch. As re-monetisation took apace, the initially increasing trend tapered off with greater availability of cash. Infact, itincreased much more only in volume terms rather than in value terms. The Committee believe that although the government is taking steps towards promoting digital economy, glaring challenges and lingering issues remain to be resolved. The Committee find that issues such as unreasonable cost of digital transactions, lack of coordination between central

and state governments in expanding digital infrastructure, issues of quality in telecom coverage including network and inadequate telecom infrastructure are some of the major roadblocks on the path to rapid digitalisation. As per Internet and Mobile Association of India (IAMAI) estimation, 175 million urban and 750 million rural users are still to be connected. Regarding quality of connectivity, India ranks second last in APAC region on average speed and threshold speed parameters. Urgent attention is thus called for in this regard to achieve the stated objectives.

Reply of the Government:

As per the information provided by Ministry of Electronics & Information Technology (MeitY), vide its notification number 6(19)/2017-DPD-1 dated 27thDecember, 2017, it has been decided by the government to absorb the Merchant Discount Rate (MDR) charges for all the digital transactions using debit cards, BHIM-UPI and BHIM Aadhaar Pay of value less than or equal to Rs.2,000/- with effect from 1.1.2018 for a period of two years. This would promote digital transaction, particularly low value transaction in the country. Further, vide its notification dated 26.4.2018MeitY has extended the above mentioned MDR charges and BHIM (Bharat Interface for Money) cashback scheme for Merchants' till 31.3.2019. Besides, DFS, vide letter dated 3.7.2018 has informed to banks that MeitY in coordination with CSC e-governance is undertaking a campaign for on-boarding merchants on BHIM QR. Banks have already on-boarded 5.25 lakh merchants on BHIM App as on 22.6.2018. In view of the ongoing campaign, banks have been requested to further ensure that all existing merchants download the QR code to send and receive money. Banks have also been requested to on-board merchants on BHIM QR. Telecom Regulatory Authority of India (TRAI) has apprised about issuing a Consultation paper on "Data Speed under Wireless Broadband Plans" on 1stJune, 2017 seeking comments of the stakeholders by 10thAugust, 2017 and counter comments till 24thAugust, 2017. Through this consultation paper, the Authority intended to seek the inputs of stakeholders on ensuring transparency and customer awareness regarding data speeds under wireless broadband plans. Later, an open house discussion (OHD) was held in Delhi on 3rdOctober, 2017 and stakeholder's views on various issues of

consultation are presently under consideration for framing appropriate Regulations / Recommendation / Directions. TRAI has further apprised that it has laid down the Quality of Service standards for Basic Services (Wireline) and Cellular Mobile Telephone Services, Broadband Services (Wireline) and Wireless Data Services, through regulations issued from time to time. TRAI has been monitoring the performance of service providers against the benchmark for various qualities of service parameters through Quarterly reporting of performance, audit and assessment of quality of service through independent agencies, use of technology to assess Call Quality and Data Speed through mobile apps. Further TRAI has taken the following measures for ensuring quality of services:

- a) Follow up action with service providers and action plan for improving quality of services.
- b) Meeting with the service providers at various levels to evaluate the performance against action plan.
- c) Publication of result of Audit & Assessment of quality of service and surveys on TRAI website namely www.traigov.in for information of stakeholders, forcing the service providers to improve its service.
- d) Imposition of financial disincentives for non-compliance with the benchmarks for quality of service parameters.

[Ministry of Finance (Department of Financial Services) O.M. No. 7/1/2018- Parl dated 25.07.2018]

Recommendation Serial No. 3

The Committee are perturbed to note that high cost of digital transactions is one of the major lacunae for the masses to adopt this transformative mode. The Committee would like to point out that the average volume of digital transactions being on the lower side, the related transaction cost gets higher. Although, the government has begun to somewhat incentivise digital transactions, the Committee would recommend that to institute a behavioural and societal change, the government needs to substantially rationalise digital transaction costs and provide incentives, especially for the lower value of transactions.

Reply of the Government:

- (i) As informed by Ministry of Electronics & Information Technology (MeitY), Government of India, vide its notification number 6(19)/2017-DPD-1 dated 27th December, 2017, it was decided to absorb the Merchant Discount Rate (MDR) charges for all the digital transactions using debit cards, BHIM-UPI and BHIM Aadhaar Pay of value less than or equal to Rs.2,000/- with effect from 1.1.2018 for a period of two years. This would promote digital transactions, particularly low value transactions in the country.
- (ii) In order to promote Digital transactions, MeitY has already launched the BHIM (Bharat Interface for Money) incentive schemes for Individuals and merchants. Under the BHIM referral scheme for individuals, the referrer and referee both individual will receive the cash back of Rs.25 for making digital transactions using BHIM app/ Bank's Mobile app. Similarly under BHIM cash-back scheme for merchants, merchants can receive the incentives up to Rs.1,000 per month for accepting the transactions using BHIM/UPI apps.
- (iii) Further, MeitY, vide its notification dated 26.4.2018 has extended the above mentioned MDR charges and BHIM (Bharat Interface for Money) Cash back scheme for Merchants' till 31.3.2019.
- (iv) As reported by NPCI, number of transactions on BHIM and UPI for 2017-18 was 100.31 crore (volume-wise) and Rs.1398.50 billion (value-wise). Number of transactions on BHIM and UPI for April, 2018 to June, 2018 has risen sharply with 66.91 crore (volume-wise) and Rs.1180.78 billion (value-wise). In month of June, 2018, transactions have crossed 10 million in a single day.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl dated 25.07.2018]

Comments of the Committee

(Please see Para No. 10 of Chapter 1)

Recommendation Serial No. 4

In this connection, the Committee during the course of their examination of the subject had raised the issue of waiving off the merchant discount rate (MDR) applicable on digital payments pertaining to the retail sector. It is a charge paid by

a merchant to a bank for accepting payment from customers through credit or debit cards and is expressed as a percentage of the transaction amount. The Committee are happy to note that the government has now taken a decision to bear the cost of MDR-applicable on transactions made through debit cards, the Unified Payment Interface (UPI) and Aadhar-enabled payments system upto and including a value of Rs2000 for a period of two years with effect from January 1, 2018. Earlier, the RBI brought in changes to the MDR for debit card transactions, capping it at 0.4% (MDR cap of Rs 200 per transaction) for merchants with a turnover of Rs20 lakh, if the transaction involves physical infrastructure such as a swipe machine. For merchants with annual turnover of more than 20 lakh, it has been capped at 0.9% (MDR cap of Rs1000 per transaction). The Committee hope that these measures along with such other incentives will help truly popularize digital mode of transactions and encourage customers to prefer digital to cash mode. In this context, the Committee would like to emphasise that digitalisation should be incentivized and not pushed in a coercive manner by rendering ATM machines non-functional etc, and causing needless inconvenience to the common people. Processes should not be hastened without adequate back-up infrastructure and a robust framework. In the meantime, vigorous efforts should be made to expand and improve in tandem digital infrastructure and network connectivity for smoothening the process of digitalisation. Efforts should also be made to promote and encourage indigenous manufacture of consumer devices and other telecom equipment as well as R&D in the telecom sector.

Reply of the Government:

Efforts made by Banks to expand digital payments acceptance infrastructure, inter-alia, include:

- i) Number of PoS terminals have increased from 15.11 lakh in Oct., 2016 to 32.54 Lakh in April, 2018 (till 27th April, 2018)
- ii) Since launch in February, 2017, Bharat QR code deployment has reached 10.7 Lakh in April, 2018 (till 27th April, 2018)

- iii) Since launch in August, 2016, BHIM UPI deployment has reached 20.86 Lakh in April, 2018 (till 27th April, 2018)
- iv) Since launch in April, 2017, BHIM AadhaarPoS deployment has reached 5.19 Lakh in April, 2018 (till 27th April, 2018)
- v) Since launch in 2015, Bank Own wallet have reached 66.88 Lakh in April, 2018 (till 27th April, 2018)

Further, RBI has waived permission for all commercial banks (excluding Regional Rural Banks) for installation of ATMs at branches and extension counters for which they hold licenses issued by RBI, subject to reporting. Further, as per Branch Authorization Policy of RBI, Scheduled Commercial Banks are permitted to install off-site / mobile ATMs at centers/places identified by them, including Special Economic Zones, without permission from RBI, subject to certain conditions. To expand the reach of ATMs in Tier III to VI centers (classification of centers as prescribed under the Census of India 2011), RBI has issued guidelines on 20.6.2012 to permit non-bank entities incorporated in India under the Companies Act, to set up, own and operate “White Label ATMs”. As on 31.3.2018, Scheduled Commercial Banks have total 2,22,066 ATMs (including white label ATMs, across the country. Further, the total number of functional ATMs as on 17th July, 2018 constitutes around 88.97% of the total ATMs as on 31st Dec, 2017.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl dated 25.07.2018]

Comments of the Committee

(Please see Para No. 13 of Chapter 1)

Recommendation Serial No. 5

The Committee are of the view that the Digital India platform depends markedly on the telecom services and coverage. However, the quality of telecom coverage in the country is unevenly distributed, viz., 97%, 75% and less than 60% population is covered by 2G, 3G and 4G spectrum respectively. It is particularly inadequate in case of hilly and tribal habitations. The Committee would thus strongly recommend that urgent and earnest efforts are required by both central and state governments along with the industry to vastly improve the quality of telecom, internet and other digital coverage

evenly over the landscape of the country, so that the digital divide is soon bridged. It is necessary to be truly inclusive in such an effort. Government's internet growth strategy should be synergised with their larger digital objectives. Towards this end, the Universal Service Obligation (USO) Fund should be fully deployed, particularly with public sector telecom companies for extending mobile and internet penetration and delivering digital services to the hitherto un serviced areas. TRAI should also act as a facilitator to achieve these objectives through their regulatory powers. Various initiatives set forth by the central government towards transforming country into a digital economy also needs to be complemented adequately by follow-up action on the part of the state governments. Hence consistent coordination between centre and the States and also with other stakeholders would be required. Furthermore, sharing of network among an telecommunication companies (including those in the public sector) would lead to wider coverage. Telecom service providers should be able to get 'right of way' from state agencies while building their infrastructure. Festering issues relating to the debt-ridden telecom sector (which is relatively in nascent stage), with a levy imposed in the range of 25-29% of revenue require to be squarely addressed on urgent basis. All hurdles on this count should be removed forthwith so that telecom/digital network can expand fast, while ensuring service quality to the public.

Reply of the Government:

As per the allocation of business rules, the Ministry of Telecom deals with telecom services and its coverage across the country. As informed by TRAI, with a view to encourage the proliferation of Wi-Fi networks in the country, it has brought out a consultation Paper on 'Proliferation of Broadband through Public Wi-Fi Networks'. Subsequently, the Authority came out with its recommendations on 'Proliferation of Broadband through Public Wi-Fi Networks', which was sent to DoT on 9th March, 2017. The recommendations inter-alia mention, a new framework should be put in place for setting up of Public Data Offices (PDOs). Under this framework, PDOs in agreement with Public Data Office Aggregators (PDOAs), should be allowed to provide public Wi-Fi services. This will not only increase number of public hotspots but also make internet service more affordable in the country. In addition, PDOAs may be allowed to provide public Wi-Fi service without obtaining any specific license for the purpose. However,

they would be subject to specific registration requirements (prescribed by the DoT) which will include obligations to ensure that e-KYC, authentication and record-keeping requirements (for customers, devices and PDOs enlisted with the PDOAs) are fulfilled by the PDOAs. This will encourage village level entrepreneurship and provide strong employment opportunities, especially in rural areas. In order to demonstrate a proof of concept for interoperability the Authority is currently conducting a pilot trial of this framework. TRAI has also informed that in order to increase the penetration of Telecom infrastructure in the country, Department of Telecommunications has initiated various measures, which includes policy initiatives and development programmes, as mentioned below:

- (i) Making available sufficient spectrum for mobile services including auction of 2016.
- (ii) Allowing Spectrum Sharing, Trading and liberalisation of administratively allocated spectrum as per the guidelines to facilitate efficient utilization.
- (iii) Permitting sharing of active as well as passive infrastructure by the telecom service providers for achieving higher utilization efficiency.
- (iv) Notification of Indian Telegraph Right of Way Rules, 2016 in November, 2016 for regulating underground infrastructure (optical fibre) and over-ground infrastructure (mobile towers). A few States like Haryana, Rajasthan, Odisha have adopted the notified Rules and the same is under consideration in some other States.
- (v) Periodic review of expansion of mobile networks and related improvements carried out by the Telecom Service Providers (TSPs)- leading to addition of around 6.35 lakh additional Base Transceiver Stations on aggregate basis for 2G/3G/4G services during the period- July, 2015 to November, 2017.
- (vi) Facilitating use of Government estate for installation of mobile towers on multiple sharing basis. Respective Guidelines issued by M/o Defence, D/o Posts, M/o Urban Development and New Delhi Municipal Council (NDMC) and TSPs have been installing the equipments progressively on co-sharing basis.

- (vii) Launching of Tarang Sanchar, a public web portal for information sharing on mobile towers and their EMF compliances.

As informed of TRAI, for attaining the vision of Digital India, BharatNet is being implemented in a phased manner for providing Broadband connectivity to all Gram Panchayats (approx. 2,50,000) in the country. Government approved BharatNet project (then called National Optical Fibre Network) on 25.10.2011 for effective provision of at least 100 Mbps bandwidth in all the Gram Panchayat (GPs) to be used by all categories of service providers on non-discriminatory basis. The project covered laying of incremental fibre for connecting to the existing BSNL Fibre, and the only media to be used for broadband connection was underground Optical Fibre Cable (OFC). A Special Purpose Vehicle (SPV) viz. Bharat Broadband Network Limited (BBNL) was established on 25.02.2012 with the objective to create, operate, maintain and manage the BharatNet infrastructure. BBNL is getting the project executed through three CPSEs viz. BSNL, RailTel and PGCIL.

To address the shortcomings in the initial plan, on 19.07.2017, Department of Telecom (DoT) approved a modified strategy for implementing BharatNet in Phases:

Phase-I - 1,00,000 GPs completed in December, 2017 executed by 3 CPSEs viz. BSNL, RailTel and PGCIL.

Phase-II- The remaining 1,50,000 GPs (approx.) are targeted to be implemented by March, 2019, through States, CPSEs & Private Sector.

DoT has approved the project at a total estimated cost of Rs.42,068 crore (exclusive of GST, octroi and local taxes) which includes Rs.11,148 crore for Phase-I and Rs.30,920 crore for Phase-II and other activities, to be funded from Universal Service Obligation Fund (USOF). In Phase-II, the modified strategy includes laying of Fibre from Block to Gram Panchayats instead of laying fibre from Fibre Point of Interconnect (FPOI) to GPs. Thus, the use of new fibre from Block to GPs would make the network more stable and also the quality of the service will be better. Further, the implementation of the Phase-II is being done through States and private sector, in addition to CPSEs, as well as the connectivity is to be provided through an optimal mix of underground/aerial OFC, radio and satellite media. Further, last mile connectivity,

through Wi-Fi or any other suitable broadband technology, is to be provided to cover all the approx. 2,50,000 GPs in the country. As on 11.02.2018, a total of 1,12,049 Gram Panchayats (GPs) have been connected by laying 2,62,947 Km underground OFC. The number of Service Ready GPs is 1, 02,546.

Furthermore, TRAI has informed that In order to provide tele-connectivity in remote territories, specific developmental initiatives through Universal Services Obligation Fund (USOF) have been taken which include:

- (i) A comprehensive Telecom Development Plan for the North-Eastern Region (NER) is being implemented. The Project envisages to provide mobile coverage to 8,621 identified un-covered villages by installation of about 6,673 mobile towers, installation of 321 mobile tower sites along National Highways and strengthening of transmission network in NER.
- (ii) Augmentation of fiber-based network between District Headquarters and Block Headquarters in Assam, Meghalaya, Manipur, Tripura, Mizoram, Arunachal Pradesh & Nagaland is under implementation.
- (iii) Total of 2,355 mobile towers for LWE project are being setup at the sites identified by M/o Home Affairs in Left Wing Extremist (LWE) affected areas. As reported, 2329 tower sites are already installed.
- (iv) About 2,164 km of submarine OFC is to be laid to provide fiber-based connectivity between mainland of India (Chennai) and Andaman& Nicobar Islands (Port Blair & five other islands).

USOF has entered into agreement with M/s Bharat Sanchar Nigam Limited (BSNL) to set-up and operate 25,000 public Wi-Fi hotspots at rural telephone exchanges of BSNL thereby leveraging upon BSNL backhaul.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl dated 25.07.2018]

Recommendation Serial No. 6

The Committee note that the Government is keeping pace with respect to the trends in Information Technology (IT) and was in time able to create an IT Act, Indian Computer Emergency Response Team (CERT-In), education, awareness and Research and Development (R&D) programmes through Ministry of Electronics and Information Technology. These initiatives were mostly in line with and motivated by the changing perception of the rise of cyber space and network security. Taking cognizance of the present scenario, the Committee feel that as the cyber space expands and intensifies with implications for national security, monitoring / surveillance and protecting the national information infrastructure needs to be included in the national agenda on priority basis. Robust Cyber/Information Security requires creation of structures which cut across line ministries and disciplines, as the issues ahead of the government are complex and from the science and technology point of view stand at the inter-section of Information and communication technology, social science, economics and psychology. The Committee therefore recommend due consultations with domain experts and industry and creation of a duly empowered coordinating authority, with status at par with Space and Atomic Energy Departments with adequate budget, reporting directly to the Prime Minister's Office (PMO). The proposed entity should be vested with adequate responsibilities and powers. It must develop comprehensive security standards, technical guidance roadmap and institutionalise a comprehensive risk management framework to promote flexible, cost-effective information security programmes, which shall establish a fundamental level of 'security due diligence' for private/public agencies based on minimum security requirements and protocol including Crypto Analysis and adequate offensive capabilities. Accordingly, the Committee would suggest that the authority should adopt and create internationally accepted security standards and guidelines and further classify the threat hierarchy to model the potential attacker's skill level and accordingly articulate the nations' priority in cyber space.

Recommendation Serial No. 7

The Committee observe that incidents of cyber attacks including ransomware etc. have occurred in the recent past. According to the IAMAI, India is the most hit in regard to data security accounting for over 50% of the total infections. Identified cyber

threats include intrusion for monetary or other benefit, interception for espionage, manipulation of information on network, data extraction, misuse of processing power, counterfeit items and evasion tools/techniques. The Committee observe that enterprises are really apprehensive about losing their intellectual property, their e-mail, their data on users like credit cards, banking information, health records etc. The Committee are of the view that government's response to such attacks should be active and professional rather than passive with a view to ensuring high degree of confidence towards the goal of digitalisation, securing the digital transaction ecosystem and for smooth and secured transformation towards a less-cash economy. The Committee note with concern that with rising cyber challenges and issues both nationally and globally, lack of trained professionals to deal with any complex challenge posed by cyber attackers is a major constraint, which thus needs immediate attention. The Committee therefore recommend that capacity and capability building on cyber security be taken up on 'Mission mode'. Areas, particularly prone to cyber crime, should be specially monitored and taken care of by state agencies in coordination with Ministry of Home Affairs.

Reply of the Government to Recommendation No. 6 & 7

Reserve Bank of India (RBI) has informed that the report of the Working Group for setting up a Computer Emergency Response Team for Financial Sector (CERT-Fin) was placed in the public domain for feedback in June, 2017 by the Government. It was recommended that CERT-Fin may, inter alia, perform analysis of reported, financial sector cyber incidents, forecast and alert on cyber security incidents, monitor sectoral efforts in financial sector towards maintaining dynamic and modern cyber security architecture, offer policy suggestions to all stakeholders and contribute to developing awareness amongst regulated entities and public. The report is under examination of the Government. Simultaneously, the Government has also constituted a Digital Payment Security Committee to examine the security issues in both Process and Technology of digital payments. Setting up of cyber forensic training labs in each State/UT, capacity building of police/ prosecutor / judicial officers, and promote R&D for Cyber Crime Prevention & Control. Ministry of Electronics and Information Technology (Meity) has informed that as part of the section 70A of the IT Act 2000 (amended 2008), National Critical Information Infrastructure Protection Centre (NCIIPC) has been

set up and itacts as the designated agency responsible for critical information infrastructure protection. Functions of the NCIIIPC include assessing the vulnerability & protection of critical Information Infrastructure and devising strategies and action plan for the same. As informed by Meity, in the event of any threat to critical information infrastructure the National Critical Information Infrastructure Protection Centre may call for information and give directions to the critical sectors or persons serving or having a critical impact on Critical Information Infrastructure. Meity has further informed that Computer emergency response team – India (CERT-In) an organisation under this ministry issues alerts and advisories regarding latest cyber threats/vulnerabilities along with counter-measures to create awareness among stakeholders to take appropriate measures to ensure safe usage of digital technologies. Regarding securing digital payments, 27 advisories have been issued for users and institutions. CERT-In is further regularly conducting cyber security trainings for IT/cyber security professionals including CISOs of Government and critical sector organisations to give an exposure on current threat landscape and countermeasures. In addition, CERT-In has also conducted a workshop on security of digital payments for stakeholder organisations covering 110 participants.

Cyber security awareness sessions are conducted by Ministry of Electronics and Information Technology (MeitY) under the Digishala Awareness Campaign.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl dated 25.07.2018]

Recommendation Serial No. 8

As digital literacy is sparsely and unevenly spread across our population, the Committee desire that the Government must take concrete steps to promote digital literacy and awareness among the population, especially the vulnerable sections. In this connection, suitable programmes may be included in the curriculum in High School or 10+2 level, which would cover aspects of ease of transaction, costs, benefits and associated risks.

Reply of the Government:

Ministry of Electronics and Information Technology (Meity) has launched the scheme titled “Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA)” to usher in digital literacy in rural India by covering 6 crore rural households (one person per household) by 31.3.2019. To ensure equitable geographical reach, each of the 2,50,000 Gram Panchayats would be expected to register an average of 200-300 candidates. Special focus of the PMGDISHA scheme would be on training the beneficiaries on use of Electronic Payment System. The outcome measurement criteria would include undertaking at least 5 electronic payments transactions by each beneficiary. Meity has, informed that it conducted over 30 one-to-one meetings and over 20 workshops with Ministries/Departments to promote awareness about digital payments. Reserve Bank of India, has apprised banks vide its circular dated 2.3.2017 that Financial Literacy Centres were required to conduct special camps for a period of one year beginning April, 1, 2017 on "Going digital" through UPI and *99# (USSD)". Two posters, one on UPI and one on *99# have been prepared for the benefit of the trainers and the audience. Further, rural branches of banks have been advised by RBI to conduct one camp per month (on the Third Friday of each month after branch hours). This camp will cover all the messages that are part of the Financial Awareness Messages (FAME) booklet and the two digital platforms UPI and *99# (USSD).

Financial Education in School Curriculum

RBI has apprised that as far as inclusion of financial education in High School is concerned, as per National Strategy on Financial Education (NSFE) of RBI, basic financial education is required to be included in school curricula up to senior secondary level. Accordingly, NCFE (National Centre for Financial Education) on behalf of all the regulators developed the financial education workbooks for classes 6 to 10 in collaboration with CBSE. These workbooks inter alia contain content on banking with the technology, credit cards and debit cards, risk & protection etc. The objective of this exercise is to integrate financial education in various subjects taught at schools. The NCFE and the RBI are pursuing the matter with NCERT, CBSE and state education boards to include financial education as a part of the school curriculum. Further, NCFE and RBI are pursuing with the state education boards to adopt the financial education

workbooks in their school curriculum by appropriately integrating it into different subjects. State governments namely Uttar Pradesh, Goa, Meghalaya, Jammu & Kashmir, Andhra Pradesh, Telangana and Tripura, have agreed in-principle or have already incorporated financial education topics into their state board school curriculum across different classes.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl dated 25.07.2018]

Recommendation Serial No. 9:-

The Committee would stress upon the need for the Government to be proactive regarding a comprehensive cyber crisis management proposition with a well laid out action plan and assigned duties to the respective department / organisation / agencies in the event of a cyber crisis. Although some coordination is visible, still a lot of ground work needs to be done to bring all the stakeholders together in a professional set up. The Committee desire that the Government come up with a comprehensive security roadmap, security practices and extent of compliance / adherence by the concerned agencies as per their vulnerabilities/risks etc. The Committee may be apprised of the action taken by the government in this regard within three months of presentation of this Report.

Reply of the Government:-

Reserve Bank reviews the cyber security developments and threats on an ongoing basis and necessary measures are taken to strengthen the cyber resilience of banks. In order to focus more attention on IT related matters, RBI has set up a Cyber Security and IT Examination (CSITE) Cell within its Department of Banking Supervision in 2015. The comprehensive circular on Cyber Security Framework in Banks issued on June 2, 2016 covers best practices pertaining to various aspects of cyber security. Vide the Circular *ibid*, RBI has advised banks as under:

- i) Banks should immediately put in place a cyber-security policy elucidating the strategy containing an appropriate approach to combat cyber threats given the

level of complexity of business and acceptable levels of risk, duly approved by their Board by September 30, 2016.

- ii) Testing for vulnerabilities at reasonable intervals of time is very important. The IT architecture should be designed in such a manner that it takes care of facilitating the security measures to be in place at all times.
- iii) It is essential that unauthorized access to networks and databases is not allowed. Confidentiality of customer information should not be compromised at any situation.
- iv) Banks should take necessary preventive and corrective measures in addressing various types of cyber threats such as denial of service, distributed denial of services (DDoS), ransom-ware / crypto ware, destructive malware, etc. Banks shall report all unusual cyber security incidents to RBI within 2 - 6 hours of detection.

RBI has also set up a Cyber Crisis Management Group to address any major incidents reported including suggesting ways to respond. Based on market intelligence and incidents reported by the banks, advisories are issued to the banks for sensitising them about the threat & to enable them to take prompt preventive/corrective action. RBI also conducts cyber security preparedness testing among banks on the basis of hypothetical scenarios with the help of CERT-In. RBI carries out IT Examination of banks separately from the regular financial examination of the banks since 2015 to assess their cyber resilience. The examination, inter-alia, evaluates the processes implemented by banks for security checks like VA/PT etc. and their follow up action. This report has a special focus on cyber security. The reports have been issued to the banks for remedial action. An inter-disciplinary Standing Committee on Cyber Security constituted by RBI, inter alia, reviews the threats inherent in the existing/emerging technology and suggests appropriate policy interventions to strengthen cyber security and resilience.

RBI has also set up an IT Subsidiary, which, inter alia focuses on cyber security within RBI as well as in regulated entities.

MeitY has apprised about the steps taken as under:

MeitY has informed that all Ministries/Departments of Central Government, State Governments/UTs and their organizations and critical sectors are formulating and implementing Cyber Crisis Management Plan (CCMP) for countering cyber attacks and cyber terrorism. Guideline documents and templates have been published to assist development and implementation of sectoral Crisis Management Plan. The Indian Computer Emergency Response Team (CERT-In) along with Reserve Bank of India is enabling implementation of CCMP in banks by means of cyber security framework, minimum baselines resiliency requirements and best practices/guidelines. To enable and assess cyber security posture of organizations and effectiveness of CCPM implementation, Cyber security mock drills are being conducted regularly by CERT-In in Government and critical sectors:

- i) CERT-In issues alerts and advisories regarding latest cyber threats/vulnerabilities along with counter-measures to create awareness among stakeholders to take appropriate measures to ensure safe usage of digital technologies. Regarding securing digital payments, 27 advisories have been issued for users and institutions.
- ii) Cyber security awareness sessions are conducted by Ministry of Electronics and Information Technology (MeitY) under the Digishala Awareness Campaign.
- iii) CERT-In is regularly conducting cyber security trainings for IT/cyber security professionals including CISOs of Government and critical sector organisations to give an exposure on current threat landscape and countermeasures. In addition, CERT-In has also conducted a workshop on security of digital payments for stakeholder organisations covering 110 participants.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl dated 25.07.2018]

Recommendation Serial No. 10:-

As country marches towards digitalisation, the Committee believe that it is absolutely necessary to have a sound consumer privacy and data protection or empowerment law in the statute book to ensure that users/individuals have control, access or even ownership of the data they have shared with various entities, foreign or domestic, who have become massive aggregators of data on their respective platforms; lest we become a digital colony with global entities having virtual control over data. The Committee, therefore feel that the country now urgently needs a data minimization, data privacy and data residency law to ensure security of public and private data. The Committee would therefore urge upon the government to bring such a data protection legislation before Parliament at the earliest.

Reply of the Government:-

Meity has informed that government is working on Data Protection Bill, the details of which are as follows:

Data Protection Bill: Recognising the importance of data protection and keeping personal data of citizens secure and protected, Ministry of Electronics and Information Technology (MeitY), Government of India, on 31st July, 2017, vide OM No.3(6) j 2017-CLES, constituted a Committee of Experts under the Chairmanship of Justice B N Srikrishna, Former Judge, Supreme Court of India. The Committee comprises of members from Government, Academia and Industry, with the aim of studying and identifying key data protection issues and recommending methods for addressing them. The objective was to ensure growth of the digital economy while keeping personal data of citizens secure and protected. The above mentioned expert committee released 'White Paper on Data Protection Framework for India' on 27th November, 2017 to solicit public comments on what shape a data protection law must take. The White Paper outlines key data protection issues and international best practices. The deadline for submission of responses was 31st January, 2018. In addition, public consultation meetings were held by the Committee in four major cities in January, 2018. The responses from the public were requested via 'innovate.mygov.in' platform. We have

received responses from various domains including Academia, Industry forums, Governments, Technology Companies across the globe. The comments received are currently under the process of examination. The Committee has to discuss the issues flagged and explore possible solutions. The Committee is expected to draft a Data Protection Bill as the outcome of this exercise. The Committee has been requested to submit a report on 'Data Protection Framework' and draft the 'Data Protection Bill' as expeditiously as possible. Further in-line with the requirements raised in the Fifty-sixth Report of the Parliamentary Standing Committee on Finance on the subject "Transformation towards a digital economy", the draft bill may be brought before Parliament at the earliest.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl dated 25.07.2018]

Recommendation Serial No. 11

It is heartening to note that Unified Payments Interface (UPI) under the auspices of the National Payments Corporation of India (NPCI) has rapidly emerged as an important mobile-based payment platform, although it remained as a slow-starter. The launch of the UPI-based BHIM (Bharat Interface for Money) app on December 30, 2016 gave a thrust to this payment platform. UPI usage seems to have gained further traction with the number of transactions crossing one-crore mark. The Committee desire that with UPI having completed a year in operation in August 2017, the government and the NPCI must further popularise this platform with the common man and the merchant establishments, including private and government agencies and take this forward as an easy and common instrument of carrying out digital transactions. In the same vein, NPCI must also further promote, incentivise and popularise the usage of their Rupay cards and make it a truly international plastic money of standing.

Reply of the Government:

As informed by Ministry of Electronics and Information Technology (Meity):

- i) Multi institutions, Government of India, RBI, NPCI are promoting financial literacy. NPCI supported the efforts of RBI and Government of India and drove such initiatives on the ground across India and also helped the various ministries

and central departments orchestrate events and digital financial literacy campaigns on the ground. Until November, 2017, NPCI carried out more than 100 Training of Trainers on cascading mode in over 23 major locations spreading to nearly 1,000 master trainers for our products and over 2500 bank officials likewise.

- ii) MeitY is running two schemes from 14th April, 2017 to promote BHIM: Consumer Referral Scheme and Merchant Cashback Scheme.
- iii) NPCI is working closely with banks to promote RuPay. Over 500 creatives shared with 50 plus banks. NPCI is also sharing emailers with 20 plus banks and over 1600 bankers have been provided training on NPCI products.
- iv) Third party apps like Google Tez and Paytm have also gone live on the UPI platform pushing the total transaction count on the UPI platform to over the 145 million mark in December, 2017.
- v) Following the launch of UPI in August, 2016 and BHIM on 30th December, 2016, NPCI has been aggressively working to get corporates/merchants live on the UPI platform. Till now, over 320 corporates are live on the UPI platform and are accepting payments through UPI and BHIM.
- vi) In order to popularize/incentivize users to activate and encourage repeat usage, close to 300+ merchant offers have been sourced for RuPay. The offers are highlighted on the RuPay special microsite. All the offers on RuPay can be seen on www.rupay.co.in.
- vii) A radio campaign promoting how to use BHIM App in a simple and educative manner was rolled by NPCI. The campaign was run from October, 2017 to November, 2017 across all radio stations across the country. For the promotion of BHIM/UPI, a separate microsite for BHIM called - www.bhimupi.org.in is created. Regular social media promotional campaigns and communication have been executed on Digital Platforms to engage RuPay cardholders and BHIM users almost on daily basis. A list of creatives and radio jingles have also been created and shared with Ministry of Electronics and Information Technology to promote BHIM and the two BHIM schemes.
- viii) On RuPay, NPCI has rolled out 360 degree integrated RuPay Campaign built on the proposition the brand of ONE LIFE. ONE RuPay involving all the media

vehicles — Print, Radio, Cinema, Outdoor & Digital, from December, 2017 to March, 2018. It will be represented with series of images showcasing the benefits of RuPay cards like merchant offers, lounge access, utility bill payments, insurance, shopping benefits, dining, travel and more.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl dated 25.07.2018]

Recommendation Serial No. 12

As the economy shifts gears to the digital mode, the Committee find that the official websites/portals- both governmental as well as non-governmental often present a sorry picture. They are not properly updated or simply remain non-functional and in many cases, important information is not available at all. The Committee would therefore like the Ministry of Electronics and Information Technology to pro-actively address this issue so that the websites/portals remain useful and relevant for the public.

Reply of the Government:

Meity has apprised that a meeting with associated organizations/societies to promote digital payments was held in October, 2017. The associated organizations have been asked by Meity to update their websites with relevant digital payment information.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl
dated 25.07.2018]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE
TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

-NIL-

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Serial No. 13:-

The Committee find it rather disconcerting that even as the country moves towards a digital economy, transactional hassles and grievances of users including ATM frauds such as cloning, phishing etc. have also been increasing manifold. Ordinary customers are then left high and dry, extremely helpless and clueless about the next course of action for a remedy and redressal of grievance. The liability and accountability question in all such cases still remains fluid. The Committee would therefore urge the government to bring in necessary legal/procedural provisions which would pinpoint consequential liability of the bank or financial institution or any other entity connected with the transaction, so that the user/customer is not put to hardship for not fault of his/her. The customer/user should also be provided with an empowered and responsive common Helpline (SOS) number, which he/she can approach whenever he/she requires. There should also be a dispute settlement mechanism wherein the onus of frauds etc. can be clearly defined and resolution provided promptly in a time-bound manner.

Reply of the Government :-

In the wake of increasing incidents including cloning, phishing etc. banks have been advised to inter alia, strengthen surveillance of ATM operations to monitor any abnormal / suspicious activity at ATMs; to review ATM installations and take necessary action to safeguard them against security issues; strengthen security of ATM Switch and the related ecosystem. Various security measures have been advised for implementation by banks to minimise the cyber threats related to ATM cards, including international usage. These, inter alia include:

1. Banks have been advised to provide online alerts for all card transactions (card present and card not present), vide RBI circular dated February 18, 2009 and

March 29, 2011.

2. As per RBI instructions, banks have been mandated to resolve customer complaints by re-crediting the customer account within 7 working days from the date of complaint vide circular dated 27.5.2011.
3. Reserve Bank of India also issued circulars dated February 28, 2013 and June 24, 2013 for securing electronic (online and e-banking) transactions, including ATM cards advising banks to introduce additional security measures, as under:
 - a) All new debit and credit cards to be issued only for domestic usage unless international use is specifically sought by the customers. Such cards enabling international usage will have to essentially EMV Chip and PIN enabled.
 - b) Issuing banks should convert all existing MagStripe cards to EMV Chip card for all customers who have used their card internationally at least once (for/ through e-commerce/ATM/POS).
 - c) All the active MagStripe International cards used by banks should have threshold limit for international usage which is to be determined by the bank based on the risk profile of the customer and accepted by the customer. Till such time this process is completed an omnibus threshold limit (say, not exceeding USD 500) as determined by each bank may be put in place for all debit cards and all credit cards that have not been used for international transactions in the past.
4. Banks were asked to secure the technology infrastructure, improve fraud risk management practices, etc.

Reserve Bank of India vide dated 1st July, 2015 had released Master Circular on Customer Service in Banks dated 1st July, 2015 which, inter alia, had mandated the following:

- a) Banks should formulate a Board-approved customer compensation and customer grievance redressal policies.
- b) Grievance redressal mechanism - Banks should ensure that a suitable mechanism exists for receiving and addressing complaints from its

customers / constituents with specific emphasis on resolving such complaints fairly and expeditiously regardless of source of the complaints.

The Banking Ombudsman Scheme 2006 (As amended upto 1st July, 2017) was introduced with the object of enabling resolution of complaints relating to certain services rendered by banks and to facilitate the satisfaction or settlement of such complaints. Under the amended scheme, a customer would also be able to lodge a complaint against the bank for its non-adherence to RBI instructions with regard to Mobile Banking/ Electronic Banking services in India. A circular on Customer Protection – Limiting Liability of Customers in Unauthorized Electronic Banking Transactions was issued on July 06, 2017 for determining the customer liability. Meity is working with Ministry of Consumer Affairs (MoCA) on improving the grievance redressal mechanism for digital Payments by Utilising National Consumer Helpline (NCH) Platform. Meity has informed that the process of on boarding all the banks with NCH platform is going on. NPCI has also been asked to integrate themselves as a convergence partner on the NCH platform.

[Ministry of Finance (Department of Financial Services) O.M. No 7/1/2018- Parl dated 25.07.2018]

Comments of the Committee

(Please see Para No. 16 of Chapter 1)

CHAPTER V

**RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES
OF THE GOVERNMENT ARE STILL AWAITED**

-NIL-

**NEW DELHI
27 August, 2018
05 Bhadrapada, 1940 (Saka)**

**DR. M. VEERAPPA MOILY,
Chairperson,
Standing Committee on Finance.**

**Minutes of the Twenty Second sitting of the Standing Committee on Finance
The Committee sat on Monday, the 27 August, 2018 from 1100 hrs,
Committee Room No. D, Parliament House Annexe, New Delhi.**

PRESENT

Dr. M. Veerappa Moily - Chairperson

LOK SABHA

2. Shri Bandaru Dattatreya
3. Shri Nishikant Dubey
4. Shri Shyama Charan Gupta
5. Shri Rattan Lal Kataria
6. Shri Chandrakant Khaire
7. Shri Bhartruhari Mahtab
8. Prof. Saugata Roy
9. Shri Gopal Shetty
10. Dr. Kirit Somaiya
11. Shri Shivkumar Udasi

RAJYA SABHA

12. Shri Anil Desai
13. Dr. Narendra Jadhav
14. Shri A. Navaneethakrishnan
15. Dr. Mahendra Prasad
16. Shri C.M. Ramesh
17. Shri T.K. Rangarajan
18. Shri Digvijaya Singh
19. Dr. Manmohan Singh

SECRETARIAT

- | | | | |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh Yaduvanshi | - | Joint Secretary |
| 2. | Shri Rajesh Ranjan Kumar | - | Director |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. | Shri Kulmohan Singh Arora | - | Deputy Secretary |

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee and thanked the Members for their cooperation and participation in the deliberations of the Committee. The Members also expressed their appreciation and thanks to the Hon'ble Chairperson for his consensual leadership as Chairperson of the Committee. The Committee lauded the excellent work done by the Secretariat officials attached to the Committee in rendering able assistance to the Committee in the finalisation and presentation of 69 Reports to Parliament so far in the current Lok Sabha (20 reports presented in the current term ending 31st August, 2018). The Committee, thereafter, took up the following draft reports for consideration and adoption:

- (i) Draft Report on "Banking Sector in India - Issues, Challenges and the Way Forward including Non-Performing Assets / Stressed Assets in Banks / Financial Institutions".
- (ii) Draft Report on Action Taken by the Government on the Recommendations contained in the 56th Report of the Standing Committee on Finance on 'Transformation towards a Digital Economy'.

After some deliberations the Committee adopted the above draft Reports with some minor modifications as suggested by Members. The Committee authorised the Chairperson to finalise the Reports in the light of the modifications suggested and present the same to Hon'ble Speaker / Parliament.

The Committee then adjourned.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTY-FORTH REPORT OF THE STANDING COMMITTEE ON FINANCE (SIXTEENTH LOK SABHA) ON 'STATE OF RURAL/AGRICULTURAL BANKING AND CROP INSURANCE' OF THE MINISTRY OF FINANCE (DEPARTMENT OF FINANCIAL SERVICES)

	Total	% of total
(i) Total number of Recommendations	13	100.00
(ii) Recommendations/Observations which have been accepted by the Government (vide Recommendations at Sl.Nos. 2,4,5,6,7,8,9,10,11 and 12)	12	92.30
(iii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	NIL	00.00
(iv) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (vide Recommendations at Sl. No. 1,3 and 13)	01	07.69
(v) Recommendations/Observations in respect of which final reply of the Government are still awaited	Nil	00.00