

Standing Committee Report Summary

Transformation towards a Digital Economy

- The Standing Committee on Finance (Chair: Dr. M Veerappa Moily) submitted its report on the ‘Transformation towards a Digital Economy’ on January 3, 2017. The report makes recommendations on transforming the Indian economy by increasing digital transactions, and improving cyber security, among others. These are discussed below.
- **Objective under demonetisation:** The Committee observed that digitisation was added as a supplementary objective of demonetisation (of Rs 500 and Rs 1,000 currency notes in November 2016). It noted that promotion of digital transactions has the capacity to transform India’s economy through formalisation of payments. Further, this can: (i) accelerate financial inclusion, (ii) open new business models and markets, (iii) curb tax leakages, and (iv) reduce cash related costs and inconvenience.
- **Pace of digitisation:** The pace of digitisation has been slower than envisaged. While transactions using certain digital modes had peaked after demonetisation, they tapered with greater availability of cash (see Table 1). The Committee noted some roadblocks in the path of rapid digitalisation, which include unreasonable costs on digital transactions, and issues with telecom coverage. It recommended that the government should rationalise digital transaction costs and incentivise lower value transactions.
- **Cyber security:** The Committee noted that the government has kept pace with information technology (IT), and responded by enacting necessary laws, among taking other steps. It observed that an expanding cyber space has implications for national security and protection of the national information infrastructure. Robust cyber security requires creation of structures cutting across ministries and disciplines. It suggested that consultations should be carried out with experts, and an empowered coordinating authority should be established, which reports directly to the Prime Minister’s Office. Further, the Committee also recommended that capacity building on cyber security should be taken up in mission mode.
- **Digital literacy:** The Committee noted that digital literacy is sparsely and unevenly distributed across the population. It recommended that suitable programmes should be included in the school curriculum to cover aspects such as ease of transaction, costs, benefits, and other related risks.
- **Data protection:** The Committee observed that it is necessary to have a sound consumer privacy and data protection law in India. This would ensure security of public and private data. It urged the government to bring a legislation to Parliament at the earliest.
- **Mobile-based payments:** The Committee noted that the Unified Payments Interface (UPI) and the BHIM app have become important mobile based payment platforms. It suggested that the government should further popularise these platforms with the common man and merchant establishments.
- **Grievance redressal:** The Committee noted that instances of transactional hassles and other consumer grievances (including ATM frauds, cloning, phishing, etc.) have been increasing. It suggested that the government should bring necessary legal provisions to fix liability on the bank or financial institution for such a fraud. Further, the customer should be provided with a common helpline number. There should also be a dispute settlement mechanism to assist in fixing the onus of the fraud.

Table 1: Volume and value of digital transactions

Month	Volume ('lakh transactions)	Value (Rs Crore)
2016-17		
April	58.6	1,500.5
May	60.0	1,673.0
June	59.8	1,811.8
July	63.2	1,742.3
Aug	62.7	1,822.4
Sept	62.4	1,952.0
Oct	71.2	1,700.1
Nov	83.3	1,861.6
Dec	123.0	1,937.2
Jan	113.3	1,788.8
Feb	100.4	1,623.6
March	118.0	2,363.6
2017-18		
April	116.8	1,839.0

Note: Includes transactions in RTGS, CCIL, NEFT, ECS, NACH, IMPS, Cards, PPIs.

Sources: Report No. 56 on ‘Transformation towards a Digital Economy’, Standing Committee on Finance; PRS.

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