Indian Economy · GS - III

How does regulatory consolidation in digital payments contribute to financial inclusion and consumer protection? Discuss with reference to the RBI's card payment framework.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 27/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Regulatory simplification, digital payments, tokenisation, consumer consent, card-network choice, transaction limits, cybersecurity, financial inclusion

Model Answer

India's expanding digital payment ecosystem requires a regulatory framework that promotes innovation while protecting consumers. Consolidating multiple RBI circulars into a unified framework can improve regulatory clarity and compliance.

Its significance can be understood through the following dimensions:

1. **Regulatory clarity:** Bringing dispersed instructions together makes rules easier for banks, card issuers, merchants and customers to understand.
2. **Data security:** Tokenisation reduces the exposure of actual card details and strengthens transaction security.
3. **Consumer autonomy:** Customers retain control over transaction limits and can exercise choice among available card networks.
4. **Affordable access:** Consent-based tokenisation without additional charges can encourage secure digital transactions.

5. **Consumer protection:** Existing safeguards, including applicable contactless transaction limits and protections against unauthorised transactions, support user confidence.
6. **Market competition:** Greater choice among card networks can promote competition and improve payment services.

However, digital payment systems continue to face challenges such as cyber fraud, phishing, data breaches and inadequate awareness among first-time users.

RBI must therefore strengthen cybersecurity standards, grievance redressal, fraud monitoring and public awareness.

Conclusion

Regulatory consolidation is not merely an administrative exercise. By combining clarity, security and consumer choice, it can strengthen trust in India's digital payment ecosystem and support inclusive financial development.

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