



CURRENT AFFAIRS



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PARLIAMENTARY STANDING COMMITTEE ON COMMUNICATIONS AND INFORMATION TECHNOLOGY

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF "PARLIAMENTARY STANDING COMMITTEE ON COMMUNICATIONS AND INFORMATION TECHNOLOGY". THIS TOPIC IS RELEVANT IN THE "POLITY AND GOVERNANCE" SECTION OF THE UPSC CSE EXAM.

WHY IN THE NEWS?

A recent report by the Parliamentary Standing Committee on Communications and Information Technology has brought up certain issues with India's Fintech industry. Concerns have been voiced by the committee regarding the dominance of foreign-owned fintech apps in the Indian ecosystem. Additionally, it has suggested that financial applications held by regional players be promoted.

SIGNIFICANT OBSERVATIONS OF THE REPORT

- **Indian Fintech Apps Struggle for Acceptance: BHIM UPI's Uphill Battle for Market Share**

Despite the surge in fintech popularity, Indian apps face an uphill battle for consumer preference. The market share for NCPI's BHIM UPI languishes at a meagre 0.22% in terms of transaction volume, reflecting a low adoption rate.

- **Fraud to Sales Ratio: A Steadfast Guardian Amidst Rising Transaction Tides**

As the fintech transaction volume has skyrocketed over the past five years, the Fraud-to-Sales ratio remains resilient at **0.0015%**. This metric signifies the proportion of fraudulent transactions to the total, underscoring a commendable security track record.

- **Fintech's Dark Side: Unraveling the Web of Money Laundering Through Financial Apps**

The shadowy underbelly of fintech emerges as scamsters exploit these platforms for money laundering schemes. A glaring example is the Abu Dhabi-based app Pyppl, manipulated by Chinese investment scamsters to launder illicit funds within the Indian borders.

- **Foreign Titans Rule the Roost in Indian Fintech: A Duel between Walmart's PhonePe and Google's Dominance**

The landscape of Indian fintech is unmistakably coloured by global giants, with Walmart-backed PhonePe and Google-supported Google Pay reigning supreme. PhonePe commands an impressive 46.91% of the market share in transaction volume, closely trailed by Google Pay at 36.39%.

- **Regulatory Conundrum: Navigating the Challenges of Governing Local vs. Foreign Fintech Apps**

Delving into the complexities of regulation, the committee scrutinises the feasibility of entities like RBI and NPCI in overseeing local apps versus their foreign counterparts. The inherent challenges lie in the multi-jurisdictional operations of foreign apps, posing a formidable regulatory conundrum.

IMPORTANT RECOMMENDATIONS BY THE REPORT

- **Sculpting the Digital Payment Landscape: Amplifying Consumer Reach for UPI Growth**

Pioneering a vision for market equilibrium, the committee suggests a multifaceted approach. Both existing and emerging players, be they banks or non-banking entities, are encouraged to broaden their consumer outreach. This concerted effort aims to propel the growth of UPI payments through diverse platforms, painting a landscape where market equilibrium becomes an achievable reality.

- **Navigating Transaction Seas: Imposing a 30% Volume Cap on Third-Party Apps.**

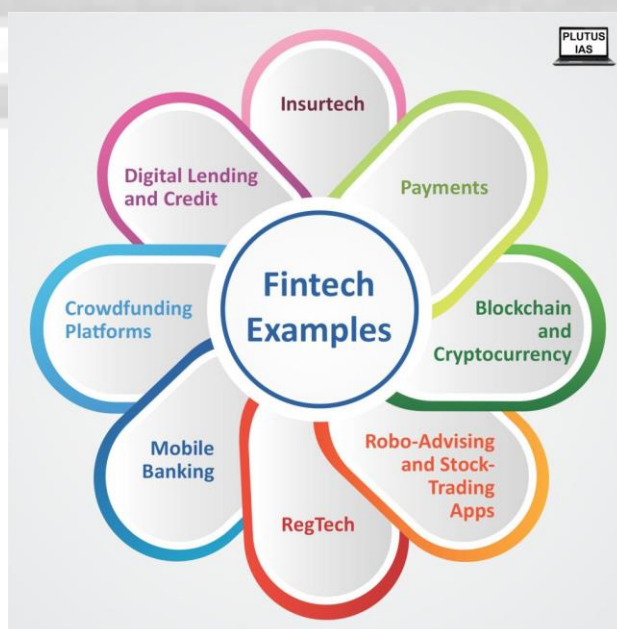
In a bid to maintain a fair playing field, the committee proposes a cap, limiting individual third-party apps such as PhonePe and Amazon Pay to initiate transactions, ensuring they do not surpass 30% of the cumulative transactions executed across interfaces in the preceding three months. This aligns seamlessly with NPCI's earlier guidelines.

- **Harmonising the Digital Symphony: A Call for Robust Regulation in Payment Apps**

With the surge of digital platforms transforming payment landscapes in India, the committee advocates for robust regulatory frameworks for digital payment apps. This recommendation underscores the need for effective oversight to navigate the evolving digital payment ecosystem securely.

WHAT IS FINTECH?

The fintech sector, a blend of finance and technology, is reshaping the financial landscape with innovative solutions. Leveraging technologies like AI and blockchain, fintech offers streamlined and accessible financial services. From mobile payments to robo-advisors, it enhances efficiency, accessibility, and inclusivity. However, regulatory challenges and cybersecurity concerns underscore the need for a careful balance between innovation and security in this rapidly evolving domain.



ABOUT PARLIAMENTARY COMMITTEES

- In India, parliamentary committees play a crucial role in **scrutinising and overseeing various aspects of governance, ensuring transparency and accountability**. These committees are instrumental in the effective functioning of the parliamentary system, providing a platform for in-depth examination of issues beyond the scope of regular parliamentary proceedings.
- There are **two main types of parliamentary committees** in India: **Standing Committees** and **Ad Hoc Committees**.
 1. **Standing Committees** are permanent bodies that are constituted for a specific purpose and continue to exist from one House to another. Examples included are the Public Accounts Committee (PAC), the Estimates Committee, and the Committee on Public Undertakings.
 2. **Ad Hoc Committees** are temporary and are formed for a specific task or inquiry, disbanding once their assigned work is completed.
- The **functions of these committees are diverse and extensive**. They review bills referred to them, examine budget allocations, scrutinise the performance of government ministries, and conduct inquiries into matters of public importance. The Public Accounts Committee, for instance, focuses on auditing government expenditures to ensure fiscal responsibility, while the Estimates Committee assesses budget proposals for their feasibility and efficiency.

PRELIMS PRACTICE QUESTION

Q1. Consider the following statements:

1. Estimates Committee examines the annual reports of ministries and departments
2. President appoints the chairpersons of parliamentary committees in India
3. Committee on Petitions focuses on conducting inquiries into matters of public importance
4. SEBI developed and launched the UPI platform in India

How many of the statements above are correct?

- A. Only one
- B. Only two
- C. Only three
- D. All four

ANSWER: B

MAINS PRACTICE QUESTION

Q1. Examine the significance of parliamentary committees in controlling and overseeing government finances. How do these committees act as watchdogs, ensuring responsible fiscal management and preventing financial irregularities? Provide examples to illustrate their impact.

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