

Event Report

Conference on Customer Protection in the Digital Lending Ecosystem

Way Forward >>>>



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Way Forward 

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1 INTRODUCTION

The digital lending sector in India has witnessed significant growth, accompanied by emerging challenges such as unauthorised apps, cybercrime, social engineering scams, and fraud. To discuss these issues, LexisNexis Risk Solutions (LNRS), the Digital Lenders Association of India (DLAI), and The Dialogue have initiated the '*Customer Protection in Digital Lending*' research project, aiming to explore problems and solutions through stakeholder consultations.

The inaugural stakeholder consultation took place in Delhi on 21 February 2024, offering a platform for pertinent stakeholders to contribute insights on the identified themes. Subsequently, the second

discussion occurred in Bengaluru on 16 April 2024, where representatives from digital lending enterprises, cybersecurity experts, civil society, the government, and technological solution providers came together.

The event began with a welcome address discussing the challenges and potential of the digital lending sector in India. DLAI and other industry players emphasised the industry's efforts to address these concerns and promote responsible lending practices, highlighting the need for collaboration and regulatory support to safeguard consumers and foster a stable market environment.

2 PANEL DISCUSSIONS

2.1. Panel 1: Securing Trust: Advancements in Customer Protection and Fraud Prevention

Panellists:

- a. Aleksandrs Trocjuks, Sr. Director, Head of Fraud and Identity, EMEA, LexisNexis Risk Solutions
- b. Anil K Pinapala, Vivifi
- c. Anuj Kacker, Cofounder, Freo
- d. Praveen Sasidharan, Partner, Emerging Tech, Deloitte

Moderator:

Saksham Malik, Senior Programme Manager, The Dialogue

During the panel discussions, the panellists deliberated on the nuanced relationship between complying with existing cybersecurity laws and safeguarding customer security, stressing the need for a comprehensive approach beyond mere regulatory adherence. They further discussed the specific technological strategies and tools digital lending companies use to detect and prevent fraudulent activities, highlighting the importance of advanced analytics and machine learning algorithms in safeguarding customers' interests. Moreover, they analysed the challenges encountered in ensuring end customer security within the financial space, emphasising the dynamic nature of cyber threats and the necessity for collaborative efforts among industry stakeholders to address these challenges effectively.

Participants emphasised the importance of understanding the purpose of data collection and ensuring its responsible use, along with the necessity of obtaining explicit consent from users to maintain privacy standards. Deliberations also considered strategically evaluating the adoption of new technologies internally versus outsourcing, taking into account factors such as cost and alignment with business objectives. Discussions further focussed on the role of collaborative partnerships and industry

alliances in driving technological innovation and enhancing fraud detection capabilities across the digital lending landscape. Additionally, panellists explored ways in which solution providers could collaborate with digital lending companies to develop innovative tools and strategies for fraud detection and prevention. They also evaluated the effectiveness of artificial intelligence (AI) and machine learning (ML) in augmenting fraud detection capabilities alongside associated implementation challenges.

Stakeholders emphasised that technology providers and enterprises must collaborate effectively to combat fraud and cybersecurity threats. Furthermore, ongoing initiatives to establish a centralised repository for fraud data aiming to enhance prevention measures and safeguard consumers' interests were discussed. A common theme throughout the discussions emerged: the imperative of continuous adaptation, proactive collaboration, and investment in advanced technologies to ensure a secure and trustworthy digital lending environment for customers.

2.2. Panel 2: Empowering Consumers: Policy Innovations in Digital Lending

Panellists:

- a. Amit Dhama, Vice President – Product, Paytm Payments Bank
- b. Deepti George, Deputy Executive Director and Head of Strategy, Dvara Holdings
- c. Karthik Bappanad, Center Head, Cyber Security Karnataka
- d. Prathyusha Kotamraju, Head of Legal, MoneyView

Moderator:

Jatinder Handoo, CEO, DLAI

The panel discussed how companies can enhance transparency and accountability in lending practices, emphasising the role of technology in enhancing this

aspect. They also deliberated on the delicate balance between fostering innovation in digital lending and ensuring stringent cybersecurity, compliance, consumer protection, and data privacy standards. They highlighted the need to view privacy as a public good. Additionally, the panellists examined the pivotal role of data analytics and AI in advancing financial inclusion and bolstering consumer protection within the digital lending landscape. They also analysed the evolving regulatory frameworks necessary to address the unique challenges and opportunities presented by fintech innovations in consumer finance, noting the imperative for regulations to keep pace with technological advancements.

Additionally, the panel emphasised the significance of public-private partnerships in fortifying the cybersecurity ecosystem for the digital lending sector and consumers. They highlighted collaborative efforts as instrumental in combating cyber threats. The panel also explored strategies for integrating robust cybersecurity measures into digital lending platforms, identifying current practices, areas for enhancement, and crucial aspects requiring heightened emphasis. Furthermore, the panellists examined trends in fraudulent activities and how platforms adjust risk assessments to mitigate risks, including using alternative data points. They also discussed effective

strategies for maintaining customer trust amidst expanding digital lending services, particularly in the context of increased digital transactions post-COVID. Moreover, the discussion delved into critical policy interventions necessary to balance market growth and consumer protection in the evolving digital lending landscape.

Lastly, the discussion emphasised that fostering regulatory trust within the digital lending sector relies significantly on customer trust. They highlighted efforts to educate customers on data security, such as avoiding sharing sensitive information like OTPs, as essential for building this trust. Additionally, the discussion addressed handling customer data, emphasising the need to promptly honour data deletion requests and maintain transparency in data practices. They also discussed upcoming regulatory frameworks, particularly the anticipated SRO framework, with panellists expressing anticipation for guidelines from the RBI. The discussion explored grievance redressal mechanisms and fraud detection, along with considerations for language capabilities to ensure truly informed consent, especially among low-income or at-risk consumers. These points underscored the importance of transparent, accountable, and customer-centric practices in digital lending.

3 CONCLUSION

In conclusion, the discussion illuminated crucial themes and considerations. The panels emphasised the urgent need for comprehensive cybersecurity and fraud prevention approaches, highlighting the importance of technological advancements and collaborative efforts among industry stakeholders. Discussions also emphasised the significance of regulatory frameworks that evolve alongside fintech innovations, aiming to safeguard consumer interests while fostering market growth.

Additionally, the discussion reiterated the imperative of maintaining transparency, accountability, and customer trust, emphasising educating customers, honouring data privacy rights, and implementing effective grievance redressal mechanisms. The insights gleaned from these discussions will serve as a foundation for further policy innovations and industry-wide initiatives to ensure a secure, trustworthy, and inclusive digital lending ecosystem for all stakeholders involved. The event provided a platform for fostering stakeholder collaboration and addressing pressing issues in the digital lending ecosystem.



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