Polity & Governance · GS - II

Digital payment systems have expanded financial inclusion but also created new challenges relating to consumer protection and accountability. Examine the role of banking regulation and consumer dispute redressal mechanisms in addressing these challenges.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 19/11/2026	GS - II	Polity & Governance

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Digital India, UPI ecosystem, financial inclusion, cyber fraud, unauthorised transactions, RBI customer liability framework, Consumer Protection Act 2019, deficiency in service, burden of proof, grievance redressal, cybersecurity awareness, institutional accountability.

Model Answer

Introduction

Digital payment platforms such as UPI have transformed India's financial ecosystem by enabling fast, low-cost and accessible transactions. However, rising digital fraud and disputes have increased the importance of consumer protection and institutional accountability.

Key Challenges

- **Unauthorised transactions:** Phishing, social engineering and compromised credentials can result in financial losses.
- **Authentication versus consent:** Successful PIN authentication does not necessarily establish that a transaction was knowingly authorised by the account holder.
- **Information asymmetry:** Consumers often lack the technical knowledge and evidence required to challenge disputed transactions.
- **Delayed grievance resolution:** Inadequate investigation and poor communication can weaken consumer confidence.

Role of Regulatory and Redressal Institutions

- **RBI framework:** Its customer-liability directions establish safeguards and distinguish liability according to the circumstances of unauthorised electronic transactions.
- **Consumer commissions:** Under the Consumer Protection Act, 2019, consumers can seek remedies for deficiency in banking services.
- **Bank accountability:** Banks must maintain effective fraud-monitoring systems, investigate complaints and communicate reasoned decisions.
- **Digital payment ecosystem:** Banks and payment service providers must strengthen authentication, transaction monitoring and cybersecurity.

Way Forward

India needs faster complaint resolution, transparent investigation procedures, stronger fraud detection and widespread digital literacy. Banks should ensure that customers are not unfairly burdened with proving complex technical failures.

Conclusion

Trust is fundamental to digital financial inclusion. A secure payment ecosystem requires technological safeguards alongside fair, accessible and accountable consumer grievance redressal.