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RBI releases a on 'Report on Currency and Finance (RCF) for the year 2023-24'

Growth rates observed over the past decade shows digital economy accounts for a tenth of India's GDP; poised to constitute a fifth of GDP by 2026

According to the RBI's "Currency and Finance (RCF) for the year 2023-24 Report," digitalisation has fundamentally transformed the global economy, reshaping economic growth, employment, consumer welfare and living standards. In the adoption of digital technologies, the internationally recognised India Stack, a growing FinTech ecosystem and a burgeoning digitally-inclined population, combined with expanding internet and mobile connectivity, are driving India to become the fastest-growing digital economy.

While digital technologies offer various opportunities for India, such as faster growth, financial inclusion and seamless fiscal transfers and cross-border payments, they also present challenges related to cybersecurity, data privacy and concentration risks. Balancing financial stability, customer protection and fair competition in this dynamic landscape, the Reserve Bank is actively involved in developing a safe, efficient and robust digital ecosystem. Over the past decade, the global digital economy has grown 2.5 times faster than the physical world economy to account for more than 15 percent of global GDP (UN, 2023).

India is at the forefront of the digital revolution, it embraces not just financial technology (FinTech) speeding up digital payments but also the celebrated India Stack comprising biometric identification, the unified payments interface (UPI), mobile connectivity, digital lockers and consent-based data sharing.

It is estimated that the digital economy currently accounts for a tenth of India's GDP; going by growth rates observed over the past decade, it is poised to constitute a fifth of GDP by 2026. India's digital revolution is a blend of government-led initiatives and enabling regulatory frameworks of financial market regulators (the Reserve Bank and the Securities and Exchange Board of India (SEBI)).

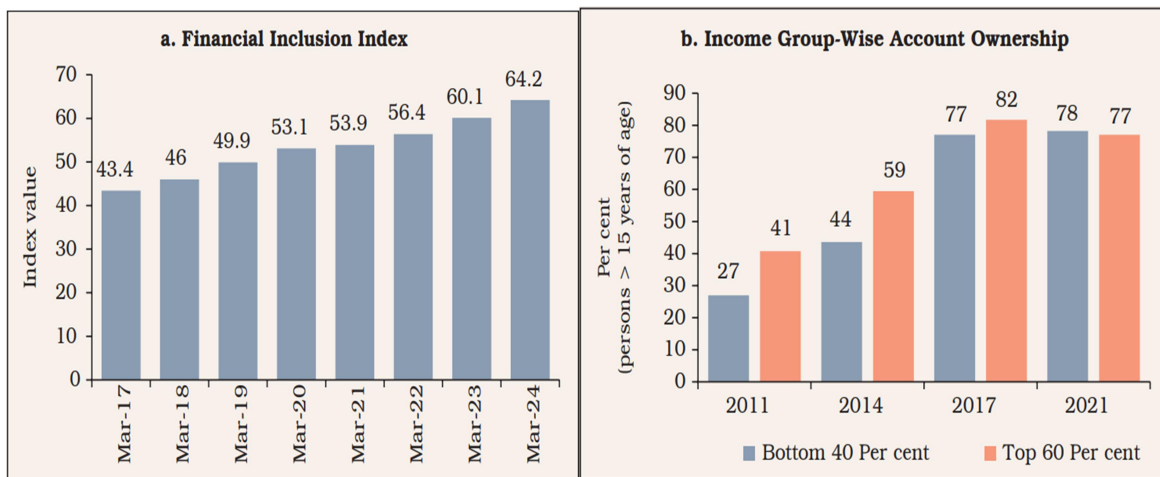
India's foundational Digital Public Infrastructure (DPI) – the India Stack – has use cases across a spectrum of economic activities that allow private and public players to innovate and build

customer-centric solutions. Built on the pillars of providing DPI as a public good, encouraging private innovation by providing open access, creating a level-playing field through regulatory framework and empowering individuals through a consent-driven data-sharing framework, India Stack has facilitated population-scale delivery of services in a cost-effective manner, particularly benefitting marginalised segments.

India’s DPI is going global by a) collaborating with other nations to develop digital identity solutions under the Modular Open Source Identity Platform (MOSIP) programme; b) interlinkage of the UPI with fast payment systems of other nations like Singapore’s PayNow, the United Arab Emirates’ (UAE) Instant Pay Platform (IPP) and Nepal’s National Payments Interface (NPI) for cost-effective and fast remittances; c) partnering with other central banks and foreign payment service providers to broaden UPI and RuPay acceptance beyond geographical borders, such as in countries like Bhutan, Mauritius, Singapore and the UAE; and d) sharing the Beckn protocol¹¹ with nations to provide their public and private services through open, lightweight and decentralised specifications.

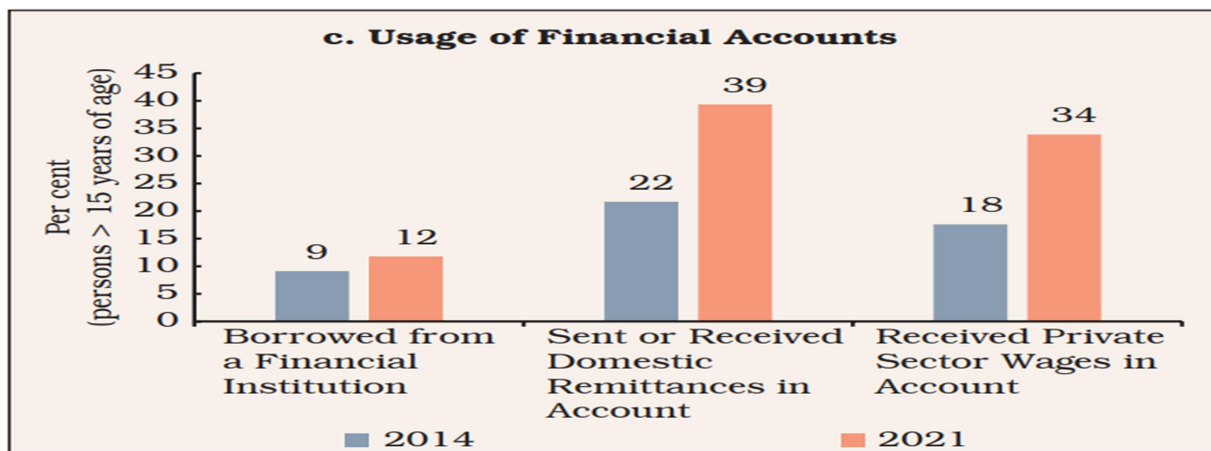
Strides in India’s Financial Inclusion:

The potential for expanding financial inclusion in India by application of digital technologies is high in view of existing conditions. First, the progress of financial inclusion in India is evident in the Reserve Bank’s Financial Inclusion Index and narrowing account access gap between income groups. In addition, usage has increased in borrowings, remittances and the receipt of private sector wages.



Source: RBI and World Bank Global Findex Database, 2021.

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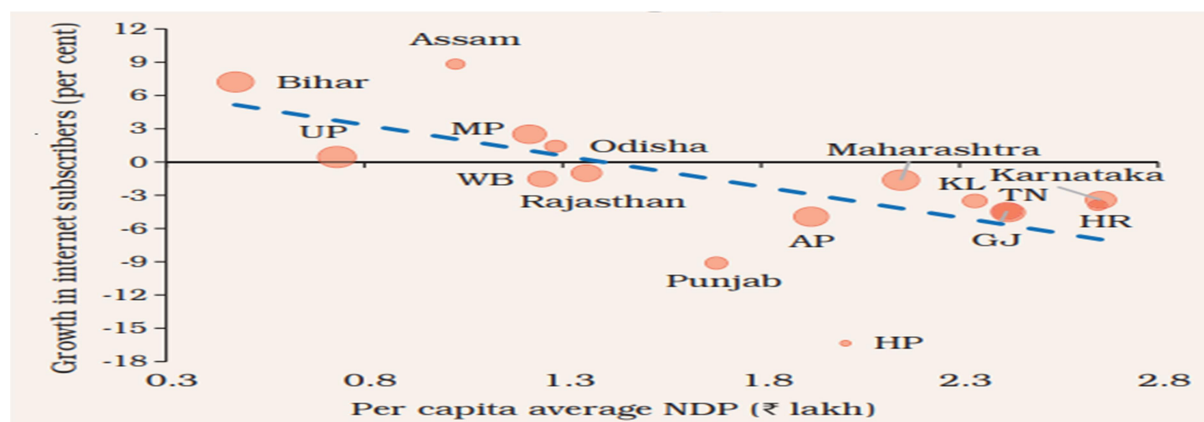


Source: RBI and World Bank Global Findex Database, 2021.

In rural India, 46 per cent of the population consists of wireless phone subscribers (TRAI, 2024) and 54 per cent are active internet users (IAMAI-Kantar, 2024). Internet accessibility in low-income states has recorded a higher average growth than in relatively higher-income states

Digital Penetration - Lower-Income States Catching Up

- India is at the forefront of the digital revolution, leveraging on its digital public infrastructure, a vibrant financial technology (FinTech) ecosystem and a conducive policy environment to emerge as the fastest-growing digital economy in the world.
- Digital technologies are unlocking opportunities in financial inclusion, fiscal transfers and cross-border trade and remittances.



Note: UP: Uttar Pradesh, MP: Madhya Pradesh, WB: West Bengal, KL: Kerala, TN: Tamil Nadu, AP: Andhra Pradesh, GJ: Gujarat, HR: Haryana and HP: Himachal Pradesh. State-wise average per capita Net Domestic Product (NDP) pertain to 2020-21. The growth in internet subscribers is taken for 2022-23 over 2018-19. The size of the bubble is proportional to the number of internet subscribers.

Source: TRAI, National Statistical Office (NSO), and RBI staff estimates

- Taking stock of India's digital journey so far, the report explores emerging opportunities and challenges, supported by surveys of key stakeholders and data analytics.

- The Report finds empirical support for a positive role of the regulatory framework in increasing the confidence of consumers in digital financial products, boosting operating and technical efficiencies of financial institutions and engendering more liquid and integrated financial markets.
- Digital technologies also present challenges related to cybersecurity, data privacy, vendor and third-party risks, customer protection, upskilling and reskilling of human resources, complex financial products and business models. Balancing financial stability, customer protection, and competition while supporting an environment congenial for innovations is the key policy challenge.

Please find the link to access the detailed document on the same.

<https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RCF29072024D5F1960668724737AD152F783DB63F10.PDF>

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Warm regards,

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