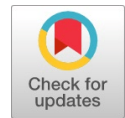


Digital Lending Laws in India and Beyond: Scrutinizing the Regulatory Blind Spot

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Abstract: *With the introduction of the digital fintech ecosystem in India, there has been a paradigm shift in traditional banking practices, one of which is the complex and time-consuming lending procedure in India. With the popularisation of digital credit, lending has become more accessible to the general public, catering to the demands of a larger population that previously could not access this service. Although this is a booming industry with an estimated size of \$270 billion in 2022, India's regulatory framework cannot keep pace with the sector's rapid growth. It has been a concern for both the industry and the customers. This paper examines the current regulatory regime governing digital credit in India, with a special focus on the RBI Guidelines on Digital Lending, 2022, and provides a comparative analysis of the regime with foreign laws. The paper also addresses the regulatory gap in these laws in India and offers suggestions to enhance the law's efficiency and effectiveness. The study employs a doctrinal research approach, which involves an extensive review of the literature and an analysis of the regulatory frameworks in India and foreign countries, highlighting the challenges faced by India's digital lending industry. Furthermore, this study's findings have significant implications for policymakers, digital lending platforms, and consumers in India.*

Keywords: Digital Credit, Digital lending, Fintech, RBI Digital Lending Guidelines

I. INTRODUCTION

The digital credit ecosystem is one of the industries that has undergone significant changes over the last decade. With the digitalisation of the lending process, the majority of demand for large lending is met by digital lending apps. [1] Using digital mode for all financial activities has become a new normal and has attracted various fintech companies to operate in this field. One of the services offered by such an industry is providing digital credit to customers, which is a tempting alternative to traditional bank loans due to their time-consuming and complex formalities. Digital credit can be defined as a scheme of lending and related services provided to customers via digital technologies [2] and include services like loan-related customer support, approval of loans, buy now pay later schemes by fintech like Simpl, etc.

According to the report by the RBI working group on digital lending, [3] although digital credit forms a small percentage of the economy, it is growing at a tremendous rate [4], with an estimated market size of 270 billion dollars in the year 2022 itself, out of this, one-third comprised of small business and buy now pay later (BNPL) products. This increase in digital credit is primarily due to demand from young people under 35 and partnerships with digital lending fintech apps. [5]

Although these online digital credit platforms have made the digital credit service easy and accessible to the general public, they suffer from various potential shortcomings. These platforms have been charging high-interest rates and promoting unethical practices for loan recovery, which has led to multiple data and privacy breaches. [6] Until recently, this new blooming fintech industry lacked proper backing of effective laws that could ensure data privacy and cyber security and prevent fraudulent activities by unscrupulous lenders. To address this regulatory gap, the RBI introduced new guidelines for the digital credit sector, promoting transparency, safeguarding clients, and preventing unscrupulous debt collection methods. [7] These guidelines apply from November 2022 to all the Regulated banks and NBFCs.

The RBI's new guidelines are a significant step towards a responsible digital credit market. Still, enhanced regulatory and legislative frameworks are required to fully recognise fintech's potential for providing digital credit while efficiently preventing financial fraud. Due to the complexity of business models, rapidly advancing technologies, the overlap of several sectors, and the specific challenges faced by the current emerging economy in India, the attempts to regulate fintech business models are frequently complicated and encouraged by piecemeal solutions, leading to regulatory arbitrage in an already fragmented landscape. A practical solution to this is to consider a global perspective on laws governing digital credit and incorporate them into India's existing regulatory regime.

II. BACKGROUND OF DIGITAL CREDIT IN INDIA

Although digital credit was more accessible to foreign economies, it formally started in India in 2010 with the adoption of such a mode of lending by fintech startups and NBFCs [8]. The popularity of this credit system skyrocketed among the general public. The credit for its exponential growth can also be attributed to the approval of this mode by traditional commercial banks, which resorted to digital credit by creating their online portals or partnering with NBFCs.

The introduction of the Pradhan Mantri Jan Dhan Yojana Scheme in 2015 also helped popularise digital credit. The scheme aimed at expanding

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the availability of financial services at reasonable prices to the masses and was successful in connecting people in the remotest areas of the country to the banking system. The benefits under the scheme included services like opening bank accounts and providing remittances, credit, insurance, and pensions to the people. This increased the customer base of commercial banks, which in turn led to more widespread usage and greater accessibility of digital banking services among the population.

According to the last RBI Composite Financial Inclusion Index in March 2022, [9] there has been a significant and positive change in the availability of easy finances due to an increase in digital credit. Additionally, the accessibility of financial sectors has increased in society, as pointed out in the index. According to the index, financial inclusion has increased from 43 in 2017 to 56 in 2022, representing significant growth for the economy over a relatively short period.

The easy availability of loans and the high growth of this industry were not accompanied by the speedy development of regulations, which created several loopholes for the digital credit industry, including loan recovery through various radical means. Analysis of such loopholes in the law and formulation of possible solutions to bridge them is a pressing need. The current most comprehensive regulation regarding digital credit is the latest RBI Guidelines for digital lending, as mentioned above; however, these guidelines are still in their early stages of development and require further refinement.

III. ANALYSIS OF THE CURRENT REGULATORY FRAMEWORK FOR DIGITAL CREDIT

The RBI guidelines for digital credit, [10] Effective from November 2022, the regulations have provided much clarity on how to deal with digital credit, with the primary aim of regulating the financial structure in the Indian market. [11] It has a protective framework for the customers to prevent their data breaches or any ill practices for loan recovery incorporated by the credit providers. According to the RBI, these credit providers are classified into three categories:

- Organizations that are subject to RBI regulation are legitimately permitted to carry out lending businesses.
- Organizations that are legally permitted to engage in lending operations but are not directly under the RBI regulation
- Lenders who operate outside the scope of applicable laws or regulations

The RBI guidelines primarily focus on regulating the third classification. Some of the significant highlights of the guidelines are dealt with herewith:

A. Applicability Of RBI Guidelines on Digital Lending

The applicability of RBI guidelines became effective from November 30th, 2022, for the regulated entities, which, according to Rule 2.9, include

- Commercial banks and Non-commercial Banks
- State Cooperative Banks
- Urban Cooperative Banks

- District Central Cooperative Banks
- NBFCs, including Housing Finance Companies.

B. Protection of the borrower's interest

1. *No disbursement of loans to third-party accounts except under the guidelines.*

The guidelines provide that the loan disbursements should be made directly to the bank accounts of the borrower; however, it can be done so only under three circumstances, which are provided in the guidelines themselves:

- Disbursement is covered under any other regulation separately.
- Monetary movement between regulated entities and Co-lending transactions.
- Disbursements are where the loans are authorised for any end use, where the loan has to be disbursed to the end user's bank account.

2. *Elimination of any extra charges.*

- Fees, charges, etc.: Before the formulation of the guidelines, the existence of extra charges and payments was prevalent in the name of lending fees. However, with the introduction of the guidelines, the costs must be borne by the loan providers themselves, and no such charges should be imposed directly on borrowers.
- Penalties: The guideline stipulates that the rate of penalties must be mandatorily published annually in a KFS, i.e., Key Financial Statements.

3. *Disclosure requirements imposed by lenders on borrowers.*

- *Annual Percentage Rate:* The annual percentage rate is a charge imposed on the borrower of the digital loan, determined every year, and includes expenses such as the cost of funds, credit cost, and processing costs. The new guidelines mandated the disclosure of APR to borrowers.
- *Key Fact Statement:* It is a page-long table comprising essential information about a loan. The guideline stipulates that the regulated entity must provide a Key Facts Statement (KFS) to borrowers before executing the loan. This KFS should include Details of the DPR, recovery mechanism, cooling-off period for the loan, and information about the grievance Redressal officer.
- *Digitally signed documents:* The registered entity must provide all digitally signed documents to the borrower on the date of contract execution related to the loan. These digitally signed documents include a Summary of the Loan product, KFS, Sanction letter, Terms and Conditions, Account Statement, Privacy Policies, and any other relevant documents for the execution of the loan.
- *Details of the recovery agent:* The guideline provides details of the LSP that will act as the regulated entity's recovery agent, i.e., the entity providing the loan to the borrower.



4. Appointment of grievance redressal officer.

The guidelines provide for the appointment of a grievance redressal officer by each regulated entity, who will oversee fintech or digital credit complaints in India. The officer's information had to be mandatorily mentioned on the creditor's website as well as in the Key Fact Statement.

5. Option for exiting from digital lending without penalty.

The guideline provided a cooling-off and look-up period, i.e., a period of not less than three days for a loan that matured after seven days or more, and not less than one day for a loan that matured in less than seven days. Furthermore, borrowers were to be given the option to exit digital lending with no additional penalty.

6. Ensure Due diligence

The guidelines stipulated that the regulated entity should ensure the technical abilities, fairness in conduct, and the ability to comply with the regulations of the LSPs, who would act as recovery agents for the lenders regarding the loan amount.

C. Ensure Proper Technology And Data Requirements

1. Data collection activities are to be only on a need-only basis.

The guideline stipulates that the RE should collect data on a need-only basis, and no access should be requested for any file, media, contact list, or call logs of the borrower. However, the guideline also provided an exception to this general Rule in the form of access to KYC, where only one-time access from the borrower is required. The reasons for requesting any data from the entity were also to be provided by them. Furthermore, any sharing of the data with a third party would require the borrowers' mandatory consent.

2. Disallowance in storing personal details of the borrowers.

The guideline prohibited lenders from storing any personal data, except for their name, contact information, or address, as needed to perform the lending activity. Furthermore, the guideline stipulates that the lender may store no biometric data unless permitted to do so by a statutory procedure.

3. Ensure a well-defined privacy policy

The entity should ensure that apps providing lending services and any other loan service providers have a robust privacy policy in accordance with the guidelines set by the RBI, and that this policy is made publicly available by the Apps.

4. Mandatory reporting of lending to Credit Information Companies.

Credit information companies are organisations that collect, analyse, and maintain credit data on borrowers, businesses, and organisations. The guidelines stipulate that any lending activity undertaken through digital apps or lending service providers must be reported to the CIC under the CIC (Regulation) Act, 2005. These requirements are not affected by the duration of the loans.

5. Provision for loss-sharing arrangements during defaults.

The guidelines ensured that the Regulated entity should follow the Master Direction – RBI (Securitisation of Standard

Assets) Directions, 2021 [12] while offering financial products where any third-party guarantee for compensation for a certain percentage of loan default is involved.

IV. CHALLENGES FACED BY THE PRESENT DIGITAL LENDING REGULATIONS

A. The regulations are more "rule-based" rather than "principle-based," which prevents new entrants in the market.

Rules-based regulations are specific rules that must be followed or used to govern a particular organization or industry. [13] In contrast, Principle-based regulations are a much broader form of regulations where the outcome and the principles are set; however, the way to achieve the result is left to the organisation. [14]

Due to such stringent guidelines concerning the charge of fees or the appointment of a separate officer for complaints regarding loan defaults. The overall cost of operation would increase, preventing the expansion of digital lending platforms, which might be repugnant to enter into such a rule-based market.

▪ The non-applicability of the guidelines on payment aggregators is increasing the time required for loan processing.

Payment aggregators, as per the RBI Guidelines on Regulation of Payment Aggregators and Payment Gateways, [15] are defined as "Entities that facilitate e-commerce sites and merchants to accept various payment instruments from the customers for completion of their payment obligations without the need for merchants to create a separate payment integration system of their own." The RBI guidelines restrict such Payment aggregators from combining money from borrowers and lenders, as they prevent the handling or passing of funds from a third party. This restriction has also been confirmed by the FAQ released by the RBI regarding whether Personal Aggregators should be considered an exception to the guideline of non-allowance of money transfers to a third party. [16]

This increased the time to process loans and created a need for specific and explicit consent. This is because, after the setting aside of Personal aggregators, creditors must verify the creditworthiness of customers themselves, resulting in a longer processing time and a decrease in loan disbursements to underserved customers. [17]

▪ Lack of regulations against the charging of exorbitant interest rates by the digital credit sector.

With fierce competition between peer lending service providers in India and traditional financial systems unable to meet borrowers' demands, many digital lending companies are adopting lending practices that involve lending to borrowers beyond their repayment capacity at very high rates. Although this is legally correct, it comes back to the other lenders due to outdated personal bankruptcy laws in the country.

The current guidelines fail to protect borrowers who face losses due to unethical practices, primarily because of a lack of regulations against such practices.

▪ **Lack of balance of regulations between the borrowers and the digital credit sector.**

Although the RBI guidelines for regulating the digital lending sector are a practical step towards controlling the digital credit market, the rules are more borrower-centric, creating a lengthy due diligence process for lending companies. The laws should also aim to bring improvement in the Fintech sector to enhance financial inclusion in all aspects of the economy. Subsequently, a balance should be struck between the borrower's rights and the rights of the FinTech digital lending sector.

V. COMPARISON OF REGULATORY APPROACHES IN DIGITAL LENDING IN INDIA WITH OTHER JURISDICTIONS

India is not the only country that is regulating digital lending. Several other countries have adopted different regulatory approaches to address issues related to digital lending. In this response, we will compare the regulatory policies adopted in India with those in other countries, including the United States, China, the UK, Australia, and Kenya.

A. India

In India, digital lending is regulated by various laws, including the Reserve Bank of India (RBI) Act of 1934 [18] and the Information Technology Act of 2000. [19] In addition, the RBI has issued several guidelines and regulations to govern the activities of online lending platforms. The guidelines require online lenders to disclose their lending rates and other terms and conditions to borrowers and limit the amount of interest that lenders can charge. Moreover, online lenders must adhere to strict risk management standards and comply with anti-money laundering regulations.

However, the regulatory approaches adopted in India differ from those in other countries, such as the United States, China, Kenya, and many others. Although approaches by all the countries seek to ensure transparency, protect borrowers from predatory lending practices, and maintain the stability of the financial system. However, there may be differences in the specific regulations and guidelines issued by each country's regulatory authorities. India is one of the largest and fastest-growing digital lending markets globally. The regulatory approach to digital lending in India has evolved over the years, characterised by a mix of traditional and innovative regulatory measures. Here is a comparison of regulatory approaches in digital lending in India with other countries:

- **Regulation of peer-to-peer lending:** In India, the Reserve Bank of India (RBI) has issued guidelines for regulating peer-to-peer lending platforms. The guidelines mandate that such platforms must obtain registration from the RBI and adhere to specific prudential norms. In contrast, many other countries have taken a more hands-off approach to regulating peer-to-peer lending, relying on industry self-regulation.

- **Digital KYC norms:** India has introduced digital know-your-customer (KYC) norms, allowing borrowers to complete the KYC process online, which has helped reduce the time and cost of loan disbursements. Other countries have also introduced digital Know Your Customer (KYC) norms, but the extent and scope of these regulations vary.
- **Microfinance regulation:** In India, microfinance institutions are regulated by the Reserve Bank of India (RBI), which has issued guidelines on the interest rates that can be charged on microfinance loans. Other countries, such as Bangladesh and Cambodia, have also developed regulatory frameworks for microfinance institutions.
- **Open banking:** India has introduced open banking regulations that require banks to share customer data with third-party providers. This has facilitated the development of digital lending platforms that utilise bank data to assess creditworthiness. Other countries, such as the United Kingdom, have also introduced open banking regulations, but their implementation and scope vary.

B. United States

In the US, digital lending platforms are regulated at both the federal and state levels. Federal laws such as the Truth in Lending Act (TILA) [20] and Equal Credit Opportunity Act (ECOA) [21] apply to all lenders, including digital lenders. Additionally, individual states have their laws and regulations that apply to digital lending activities. For example, some states require digital lenders to obtain a license before operating in the state. The Consumer Financial Protection Bureau (CFPB) [22] also has the authority to enforce federal consumer protection laws and has recently released guidelines for digital lending platforms.

C. China

In China, digital lending platforms are regulated by several government agencies, including the People's Bank of China (PBOC) and the China Banking and Insurance Regulatory Commission (CBIRC) [23]. In 2019, the PBOC released new regulations for online lending platforms, including registration, disclosure, and risk management requirements. The CBIRC also issued new rules for online lending in 2019, requiring platforms to maintain sufficient capital, limit the number of loans to individual borrowers, and ensure the accuracy of borrower information.

D. Kenya

In Kenya, digital lending is regulated by the Central Bank of Kenya (CBK), which has issued guidelines and regulations to govern the activities of online lending platforms. The guidelines require online lenders to disclose their lending rates and other terms and conditions to borrowers and limit the amount of interest that lenders can charge. Moreover, online lenders must adhere to strict risk management standards and comply with anti-money laundering regulations. [24] However, India has taken an innovative and evolving approach to regulate digital lending, with a focus



on promoting financial inclusion and protecting consumer rights.

While there are similarities with regulatory practices in other countries, India's regulatory framework for digital lending has its unique challenges.

E. United Kingdom

In the UK, digital lending platforms are regulated by the Financial Conduct Authority (FCA), which is responsible for overseeing consumer protection and market stability. The FCA requires digital lenders to obtain authorization before operating and comply with its rules on conduct and disclosure. In 2019, the FCA introduced new regulations for peer-to-peer lending platforms, which included stricter requirements for risk management and disclosure.

F. Australia

In Australia, digital lending platforms are regulated by the Australian Securities and Investments Commission (ASIC). [25] The ASIC requires digital lenders to obtain an Australian Credit License (ACL) before operating and complying with its disclosure, fees, and responsible lending regulations. In 2019, the ASIC released new guidelines for digital lenders, which included requirements for clear and concise disclosure, responsible lending practices, and effective dispute resolution mechanisms. Lastly, digital lending is a rapidly growing industry worldwide, and regulatory approaches vary significantly across different countries. While each country's regulatory framework may differ, the overarching goal is to protect consumers and maintain market stability. India's regulatory approach to digital lending is evolving to address consumer protection concerns and promote responsible digital lending practices.

VI. SHORTCOMINGS IN REGULATION OF THE DIGITAL LENDING SECTOR IN INDIA COMPARED TO OTHER COUNTRIES

Digital lending platforms have emerged as a popular alternative to traditional banking channels, providing customers with quick and easy access to credit. However, these platforms also present several challenges for regulators in overseeing banking regulation, as they operate in a relatively new and rapidly evolving space. [26] Some of the critical challenges faced by regulators in overseeing digital lending platforms in banking regulation in India include:

Lack of regulatory clarity: Currently, there is no dedicated regulatory framework in place for digital lending platforms in India, which can make it challenging for regulators to ensure that these platforms operate in compliance with relevant laws and regulations. The guidelines introduced by the RBI are also rule-based rather than principle-based and are unable to provide a comprehensive framework for regulating the digital lending sector.

Data privacy concerns: Digital lending platforms typically collect and process large amounts of personal and financial data from borrowers, raising concerns about data privacy and security. Although the new guidelines prevent the unnecessary collection of data and provide for the classification of data that can be collected from borrowers, they do not provide measures to safeguard sensitive information, such as Know Your Customer (KYC) data.

Consumer protection issues: There have been reports of unfair lending practices and predatory behaviour by some digital lending platforms in India, including excessive interest rates, hidden fees, and harassment of borrowers. The Indian regulatory framework, unlike that of foreign countries such as the US, is unable to ensure that these platforms treat borrowers fairly and transparently.

Cross-border issues: Many digital lending platforms in India are owned or operated by foreign entities, which can complicate regulators' efforts to enforce local laws and regulations. Regulators must work closely with their international counterparts to ensure that these platforms operate in compliance with relevant laws and regulations in both India and other jurisdictions. One of the primary challenges regulators face is the lack of clarity regarding the legal and regulatory framework for digital lending platforms. [27] While the *Reserve Bank of India (RBI)* has recently issued guidelines for the regulation of digital lending platforms, there is still some uncertainty about how these guidelines will be implemented and enforced. Another challenge is the potential for digital lending platforms to engage in unfair or predatory lending practices. [28] For example, some platforms may charge exorbitant interest rates or use aggressive debt collection tactics, which can harm borrowers and undermine the stability of the financial system. Regulators also face challenges in monitoring and managing the risks associated with digital lending platforms. These risks include credit risk, operational risk, cybersecurity risk, and other related risks. Given the fast-paced and innovative nature of the digital lending industry, regulators may struggle to keep up with emerging threats and adapt their regulatory framework accordingly. However, there is a challenge in ensuring consumer protection in digital lending platforms. As these platforms often operate entirely online and rely on algorithms to make lending decisions, there is a risk of bias and discrimination against certain groups of borrowers. Regulators need to ensure that digital lending platforms are transparent in their lending practices and treat all borrowers fairly and equally. In summary, the challenges faced by regulators in overseeing digital lending platforms in banking regulation include legal and regulatory ambiguity, unfair lending practices, risk management, and consumer protection. The recent RBI guidelines are a step in the right direction, but ongoing monitoring and regulation will be necessary to ensure a stable and fair digital lending environment.

VII. POTENTIAL SOLUTIONS TO ADDRESS REGULATORY GAPS IN DIGITAL LENDING IN INDIA

Digital lending has become increasingly popular in recent years due to its efficiency and convenience. However, it has also exposed some regulatory gaps in banking regulations. Here are some potential solutions to address these gaps:

➤ Clarify Regulatory Jurisdiction

There is a need to clarify the regulatory jurisdiction of digital lenders. Currently, some digital lenders operate in a regulatory grey area, falling outside the purview of traditional banking regulations. To address this, regulators can provide more precise guidance on which digital lending activities fall under banking regulations and which do not. Furthermore, the current restriction on the handling of funds by third parties, particularly Personal aggregators, should be re-examined, and provisions allowing personal aggregators to act as intermediaries should be added to the regulatory guidelines.

➤ Establish Minimum Regulatory Standards

To ensure that digital lenders adhere to the same regulatory standards as traditional banks, regulators can establish minimum regulatory standards for digital lending activities. These standards can include requirements for consumer protection, data privacy, and financial stability; however, unlike the existing regulatory framework in India, they should strike a balance between the rights of both borrowers and creditors, while also avoiding significant adverse effects on the growth of the digital credit sector due to overly stringent rules.

➤ Increase Oversight And Enforcement

Regulators can increase their oversight and enforcement efforts to ensure that digital lenders comply with regulatory requirements. This can include conducting regular audits and inspections of digital lenders, imposing fines and penalties for non-compliance, and revoking licenses for repeated violations.

➤ FORMULATE ADEQUATE REGULATIONS FOR CYBER SECURITY

There are several regulatory gaps in India's banking system, but one of the most pressing is the lack of adequate cybersecurity regulations, as observed in the case of *Shreya Singhal v. UOI*. [29] The current legal framework does not adequately address cyber threats and data breaches, leaving Indian banks vulnerable to cyber-attacks. [30]

To fill this gap, Indian regulators could look to overseas banking regulations, particularly those in the European Union and the United States, which have more comprehensive cybersecurity requirements. For example, the EU's General Data Protection Regulation (GDPR) [31] mandates strict data protection and breach notification requirements. At the same time, the US Federal Financial Institutions Examination Council (FFIEC) [32] provides detailed guidance on cybersecurity risk management. By adopting similar regulations, Indian banks could better protect themselves and their customers from cyber threats, ensuring the security and stability of the financial system as a whole. Overall, these potential solutions can help address regulatory gaps in digital lending, ensuring that digital lenders operate safely and soundly while providing access to credit for underserved communities.

VIII. CONCLUSION

In conclusion, digital lending has become increasingly popular worldwide, raising regulatory concerns in many countries. Regulators are grappling with how best to oversee digital lending platforms in banking regulation to ensure

consumer protection and financial stability. While many developed countries have established legal and regulatory frameworks for digital lending, developing countries face unique challenges in this area. Limited resources, a lack of data, and unreasonable legal and regulatory frameworks are some of the challenges that regulators in developing countries face when overseeing digital lending platforms. The digital lending industry has emerged as a significant player in the global financial services landscape. However, as with any rapidly evolving sector, regulatory concerns have arisen that require scrutiny and monitoring by regulatory bodies. The rapid pace of technological innovation and the emergence of new business models in developing countries present significant challenges for regulatory bodies, particularly in ensuring consumer protection, cybersecurity, and compliance with Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations. Additionally, consumers in such countries may be more susceptible to predatory lending practices, and cross-border issues can complicate regulatory oversight.

To address these challenges, regulators in India may need to work closely with industry participants and international organisations to develop effective regulatory frameworks that protect consumers and promote financial stability. This may include establishing minimum regulatory standards, clarifying regulatory jurisdiction, requiring licensing and registration, strengthening disclosure requirements, and increasing oversight and enforcement efforts, as is prevalent in foreign countries.

While the regulatory framework for digital lending is evolving, and the recent RBI guidelines for Digital Lending were a significant step towards regulating the sector, there is still a need to develop the laws at a faster pace. It is essential for digital lenders to remain compliant with the latest regulations and to prioritise consumer protection, data privacy, and cybersecurity to build trust with their customers and maintain a sustainable business model. Overall, regulatory scrutiny in the digital lending industry is essential to ensure that consumers are protected and that financial stability is maintained. While challenges remain, there is an opportunity for regulators to work collaboratively with industry participants and other stakeholders to develop effective regulatory frameworks for digital lending that promote financial inclusion and protect consumers.

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