**GENERAL STUDIES 3: SCIENCE & TECHNOLOGY**        **DATE: 07.02.2025**
**TOPIC:** DEVELOPMENTS AND THEIR APPLICATIONS AND EFFECTS IN EVERYDAY LIFE.

### Time for India to blaze the trail further on UPI: Build guardrails for data privacy

**UPI: A Revolutionary Payments System**

- UPI is a costless, reliable, and widely used digital payments system in India.

- It has helped India bypass traditional card networks and accelerate digital transactions.

**Concerns Over Market Dominance**

- Google Pay and PhonePe dominate the third-party app provider (TPAP) space.

- Policies aiming to cap market share below 30% may be counterproductive.

- Positive network effects naturally lead to market concentration.

**Key Issue: Personal Data Protection**

- UPI shares more user data than traditional payment methods.

- Unlike credit cards, UPI lacks strict data storage standards.

- Data-sharing policies of TPAPs are not publicly transparent.

- The presence of multiple intermediaries increases the risk of data leaks.

**Business Model and Data Collection Concerns**

- UPI remains free because it relies on data collection and sharing.

- TPAPs leverage user data for expansion into financial services like insurance and loans.

- Artificial market-share caps do not solve data privacy issues.

**Impact of the Digital Personal Data Protection (DPDP) Rules, 2025**

- TPAPs may be classified as significant data fiduciaries under new regulations.

- The DPDP draft emphasizes data minimization principles.

- UPI should collect only the necessary data with clear user consent.

- Government exemptions should apply only to NPCI, not private TPAPs.

## Global Perspective and India's Leadership

- The G20 Troika (India, Brazil, South Africa) calls for equitable data governance.

- India has the opportunity to lead in financial Digital Public Infrastructure (DPI).

## Conclusion

- UPI has revolutionized digital payments, but data privacy remains a challenge.

- Instead of market-share caps, strict data governance and transparency are needed.

- Implementing DPDP principles can ensure trust, security, and fair competition in the UPI ecosystem.


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