

ET **By Invite**

Economy grows as more & more transactions come under taxation system via digi payments

## By 2020, Indians will Make Cards & ATMs Redundant



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India is making an attempt to transition to a digital payment, less cash economy. Given that only a meagre percentage of our population pays taxes, the economy grows as more transactions come under banking and taxation system through digital payments. Corruption in public life and governance is oiled by cash, so as we move towards a less-cash society, this anonymity which the corrupt enjoy by using cash goes away. Besides, cash printing and its distribution is extremely expensive.

Consumers also have several benefits. All transactions, from ₹1 to any amount, can be done digitally without carrying cash. We can do digital transactions 24x7, even on holidays. The government has announced several incentives on digital payments which make it really cheaper compared to cash payments.

It is not just western economies that have a significant ratio of digital economy. African countries such as Kenya and Nigeria have achieved much higher adoption of digital payments even though their population is semi-literate. M-Pesa transactions account for 20% of GDP of Kenya and it is used ubiquitously (by at least one individual in 96% of Kenyan households and by 75% of the unbanked population). India must learn from these success stories.

### MULTIPLE INITIATIVES

Several incentives have been announced for consumers such as discounts in fuel purchase, insurance premiums, service tax waivers and cashbacks. Revamped modes of digital payments, which are secure, fast and customer friendly, such as BHIM app and new USSD have been launched. Large-scale awareness campaigns like DigiDhan Melas in 100 cities have also been launched.

Incentives and programmes have been rolled out for merchants too. Banks have been mandated to install 1 million new PoS terminals by this fiscal. Duties and taxes have been waived on manufacture of these

machines. MDR and other transaction charges on digital payments were waived off till December 31, 2016. Soon a new regime of transaction charges will be put in place based on high volume & low charges.

### SOLUTION FOR EVERYONE

Given the enormous heterogeneity of India's population, the government has evolved different options for different segments. Though there are over 1 billion mobile subscriptions, only a third of that (350 million) use smartphones and mobile internet. BHIM (UPI) and e-wallets cater to digital payments need of this smartphone segment. USSD, which can work on any mobile phone with GSM network without the need of internet, covers

UPI. It's easier than wallets! You will not have to fill-out those tedious bank account details. You can easily make direct bank-to-bank payments and instantly collect money using just mobile number or payment address. This app has been launched by NPCI, the umbrella organisation for all retail payments in the country. Over 10 million have been downloaded the app in last 10 days.

Aadhaar Pay is a model for merchant acceptance based on AEPS. By only installing an app on the phone and attaching a scanned fingerprint, merchants can start accepting payments from all Aadhaar-seeded accounts. No card or mobile phone or PoS machine is required. This will enable India to achieve technological leapfrogging. My view is that by 2020 Indians will make cards and ATMs totally redundant.

## Digital Options

### CONSUMER

**UPI-based BHIM app E-wallets** Smartphone with internet

**USSD (\*99#)** Works on simple phone, useful in rural areas

**Debit/Credit cards** Works at over 1.5m PoS terminals

**Aadhaar-based Payment** Will work on fingerprints, no card



### MERCHANTS

**Traditional PoS devices Mobile-PoS & virtual-PoS** Accept cards

**E-wallets** Phone-to-phone transfer

**UPI/BHIM app** Direct credit to a/c

**AEPS - Direct credit via smartphone and fingerprint scanner**

around 600 million which uses simple feature phones.

Apart from these phone-based solutions, we have 78 crore debit cards and 1 billion Aadhar numbers (45 crore bank accounts have been seeded with Aadhaar). AEPS and PoS solutions cater to these users who have Aadhaar-seeded bank accounts and debit/credit/prepaid cards. The Banking Correspondent model covers rural areas where a Banking Correspondent helps in delivering financial services.

### BHIM APP AND AADHAAR PAY

Bharat Interface for Money (BHIM) is an app that lets you make easy and quick payment transactions using

### REVAMPED USSD

USSD lets you directly communicate from your simple phone with your bank for various transactions. It does not require internet connection. It is as easy as checking your prepaid phone balance. \*99# is the standard channel which is used for communicating with all banks.

In the revamped USSD, the base layer of USSD has been integrated with UPI platform. Now any feature phone (which is unable to install BHIM app) can also transfer or accept money from any smartphone (linked with a bank account) using BHIM app. This feature enhances the inter-operability of USSD and UPI platforms to make transactions.

### SECURITY & CONSUMER REDRESS

The government has already formed a committee to oversee security issues in digital payments. A separate Digital Payments Division has been formed in India Computer Emergency Response Team (CERT-In). Security audit of all NPCI systems has been started to gauge needed improvements.

All transactions done digitally are covered under Consumer Protection Act. But before that, it is advisable to approach the concerned bank regarding disputes. As all digital transactions leave a record, it is easy for banks to establish the veracity of transactions. If the bank is not able to resolve the dispute, RBI's institution of Banking Ombudsman, which mandates the resolution by the bank within a definite time-frame, can be approached by all.

(Views are personal)