

1. Digitally Ready: Need to address fears of those on the Fence to join Digital Bandwagon

Context:

- ▶▶ There is often anguish, on why adoption of digital payments is slow. One of the reasons, some claim, is that we have an overly ambitious “less cash” vision, and in trying to cover the entire 700million+ transacting population, in the digital payment revolution, we are ignoring what the customers want. In this context, we will analyse the digital connectivity in India.

Understanding the poverty and consumption patterns:

- ▶▶ Considering the level of poverty and consumption patterns, the practical approach would be to aim 500 million bank/wallet customers. For the other 200 million customers, who is still struggling for a decent living; our standard of digital inclusion should be different, at least, for some time.
- ▶▶ Subsidy/ pension/ grants being credited into their bank accounts through the Aadhaar Payments Bridge—a digital platform operated by NPCI—and easy access to AePS for cash withdrawal at citizen service centres or bank branches should be good enough. For these users, cash is the most comfortable payment instrument.

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- ▶▶ This target group of 500 million customers is not homogenous. They fall in Three Categories:
 - a) Active users/early adopters (100 million)
 - b) Casual users/early majority (250 million), who are sitting on the fence to turn into active users
 - c) “Cash meets all my needs” users/late majority (150 million).
- ▶▶ Immediate focus, therefore, should be on the second group of 250 million casual users. Though these have smart phones, debit cards, and hail from economic strata that demands regular payments for various utility bills and other household needs, the fear of “something going wrong and not knowing how to resolve” makes them reluctant.
- ▶▶ They understand the likely benefits of digital payments, but use the digital channel only when necessary. Neither the simplicity of UPI nor cashbacks attract these users.

Why People Reluctant to use Digital Payments:

- ▶▶ The fear of account being debited without generating a charge slip while using the debit card at a restaurant or a shop makes many nervous.
- ▶▶ Many also opt for Cash-on-Delivery (COD) option while conducting e-commerce transactions, knowing very well that cash back of 2-5 % is available on digital mediums—cards, UPI, wallets and internet banking.
- ▶▶ A few also opt COD to check the quality or quantity before payment.
- ▶▶ RBI has been responding positively by issuing guidelines/circulars/notification to ensure such customers of safety and security of transacting online.

The policy measures cover two primary areas.

- a) transactional security & data privacy
- b) grievance redressal.

Transactional Security and Data Privacy:

- ▶▶ To protect the customers from unauthorised transactions or unauthorised sharing of data with third party, and to ensure that service is available to the customers as promised, RBI has mandated that
 - a) Payment cards conform to EMV standards
 - b) EMV enablement of all card acceptance points
 - c) Multi factor authentication—first in Card Not Present (CNP) transactions and subsequently for Card Present (CP) transactions, and then other digital channels.
 - d) Mobile alerts by core banking system (CBS) to customers for every debit and credit transactions
 - e) To provide the customer with the option of transaction cap and mode of transaction
 - f) PA-DSS and PCI-DSS compliance of payment system infrastructure at all service providers in the value chain
 - g) Need for certification of acceptance terminals—Cards and Aadhaar
 - h) periodic information security audit
 - i) Creating facility for monitoring of transaction velocity and frequency
 - j) Data localisation, etc

Grievance Redressal:

- ▶▶ The second set of measures initiated by RBI refer to Grievance Redressal Mechanisms. They constitute the hygiene factor and bedrock for migrating to a less-cash society in due course. Many of the regulatory measures are a direct response to customer complaints, of gaps in the machinery and crying need for attention
- ▶▶ Measures implemented so far are
 - a) Zero liability of customers in unauthorised digital transactions
 - b) Stringent Turn Around Time (TAT) for resolving the complaints, failing which a penalty is imposed on the service provider (India's TAT requirements for digital payment system is much better than many developed countries)
 - c) complaint position to be placed before the Board
 - d) Scheme of Ombudsman for digital transactions
 - e) Extending the period of service availability
 - f) Customer consent before on-boarding onto digital channel and the option to fix amount cap or withdrawal
 - g) Contact details for customer complaints to be prominently displayed
 - h) Availability of 24×7 call centre or service centre in case of 24×7 services.
- ▶▶ In addition, all customer service measures including transparency in service charges are equally applicable for digital payments.

Conclusion:

- ▶▶ We have a long way to go before we can claim ourselves to be a less cash society. Our ecosystem is evolving and we need to be patient. Payment innovations like UPI are taking place at the right pace
- ▶▶ The qualitative indicator like the level of customer complaints should be the primary parameter for monitoring.
- ▶▶ For digital payments to covers all sections of society and less cash vision to be realised early, care and caution is as much necessary as speed.