

[An enabling ecosystem is set to drive digital payments in 2021](#)

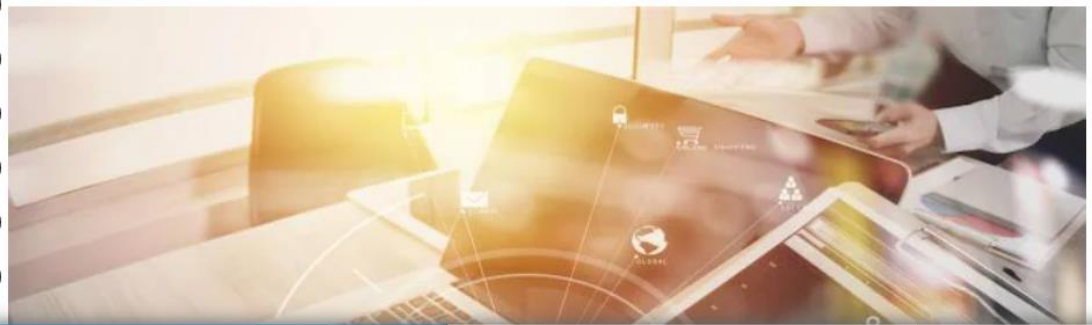
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RAMA MOHAN RAO AMARA | MAY 28, 2021 / 01:42 PM IST



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Driven by the Indian Government's focus on developing a cashless economy, the past few years have been defining in India's digital payment ecosystem. While many initiatives were well underway, the COVID-19 pandemic has accentuated the need and provided a fillip to the digital payments ecosystem. It has led to widespread adoption of digital payments, which facilitates billions of daily consumer transactions.

Many factors contributed to this growth, the foremost being the need for social distancing. The payments industry is witnessing a gamut of innovative solutions and approaches to transact without contact, digitally. A favourable regulatory environment, infrastructure improvement along with high smartphone penetration,

and low data cost have further led to the fast adaption of digital payments. The year 2021 is likely to witness a continuation of some key trends.

Increasing acceptance

Wider acceptance is the key to promoting digital payments in a country with a diverse population of over 135 crore. Initiatives such as UPI, BHIM, RuPay, FasTags and innovations such as RFID fuelling apps, QR codes for merchants, have brought a paradigm shift at all levels. With the easy access to such options, acceptance among merchants has increased. This would continue to grow this year too, guaranteeing business continuity amidst lockdown. This includes micro and small merchants, which constitute more than 90 percent of the total number of MSMEs where digital payment was never considered as an option earlier.

Supportive regulatory framework

Policy makers have been taking measures to create an enabling environment. RBI has taken progressive steps to facilitate the growth of digital payments, for instance, raising the limit of contactless transactions to Rs 5000 will further expand the adoption of digital payments by consumers. Processes such as Video KYC will enable seamless on-boarding of customers across geographies. The government plans to bring all merchants into the digital payment ecosystem.

In January 2021, RBI had operationalized the Payment Infrastructure Digital Fund (PIDF), intended to subsidize deployment of payment acceptance infrastructure in tier-3 to tier-6 centres, with a special focus on north-eastern states. Ministry of Electronics and Information Technology (MeitY) has set up a dedicated 'Digidhan Mission' for building strategies and approaches in collaboration with all stakeholders to promote digital payments and create awareness.

E-commerce

Online spending would continue to boost the opportunities and possibilities in digital payment. The first wave of COVID-19 saw customers spending mostly on categories such as groceries, consumer durables, utilities, health and wellness, and education. At SBI Card, we witnessed YoY increase of 35 percent in online spends for categories such as departmental stores, consumer durable, utilities, & direct marketing. A similar

increase of 48 percent was noticed in categories such as health & wellness, apparel, education service, jewellery and furnishing & hardware. We expect such trends in 2021 as well.

Increased cyber security focus

Security is extremely crucial whenever it comes to payment. 2021 would witness increased focus from companies to minimise security threats for customers. We would continue to establish processes and procedures to identify, measure, monitor and control different types of risks.

Digitization of customer life cycle

Industry would continue to build a complete thread of digital journey for customers, starting from acquisition to on-boarding, to digital marketing to servicing and payments/collections. Faceless, paperless, contactless, cashless in literal sense, and pertinent in these times!

Innovation

Credit card is undergoing a rapid evolution, the key being the form factor. Using tokenization, the credit card can now reside in our mobile and customers can make contactless payments at Near Field Communication (NFC) enabled point of sale terminals, with just one tap on their mobiles.

Summing up, digital payments are here to stay and will witness continued growth, over the mid to long-term. The momentum will be fuelled by the growing infrastructure, enabling policies, innovations and increased adoption by most consumers, in line with the evolving consumer behaviour in India.