



# INDIA'S GRAPPLE WITH EMBRACING CASHLESS PAYMENTS

It was back in 2016, when India declared its currency notes as worthless pieces of paper and everybody in India – the roadside vendor to the conservative consumer – was forced to participate in the phenomenon called 'digital payments'.

Fast forward to now, the Covid pandemic has done what no amount of marketing dollars could have done for the digital payment ecosystem. A surge of concerns

around hygiene resulted in the cash on delivery model losing its ground with companies either not offering or not recommending it during these times, once again coercing the common buyer into exploring the plethora of alternate payment options available in the market.

A stronger case can be made for the cause of digital payments once it is evident how rapidly it is growing. According to a report by **RedSeer Consulting**, digital payments in India

are expected to grow over three-folds to Rs. 7,092 trillion by 2025 from Rs. 2,162 trillion in 2019-20; in fact, the RBI claims that digital payments have grown at a CAGR of 55.1 per cent over the past five years from 2015-16 to 2019-20. The RedSeer report attributes Government policies around financial inclusion and growing digitisation of merchants as primary factors for the growth. It also estimated that India's current 160 million unique mobile payment users will multiply by five times to reach nearly 800 million by 2025.

While some consider the shift to digital permanent, there still lies the fact that cash shrinkage, fear of foul play and theft are valid concerns plaguing the citizens. If the phenomenal growth is indicative of anything, it is that fintech companies have gotten better at counterattacking such threats and nipping them in the bud. So as consumers become more comfortable with the prospect of paying even before their shipment arrives, both brands and fintech companies have a large ground to dabble in various new innovations. From newly developed payment channels garnering worldwide attention, banks teaming up with

conglomerates, fintechs introducing compelling schemes to turn SMEs cashless to brands exploring different alternative payment strategies, the digital payments ecosystem is thronging with promising examples of growth and newness.

## Shifting preferences and mobilising trends

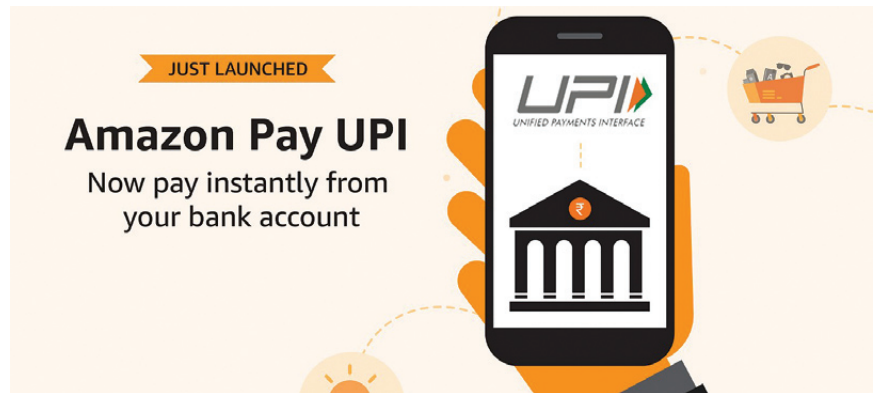
India and China make up 70 per cent of the 2.1 billion e-wallet users in the world, reinforcing the fact that Asia is a leading market in the mobility game. In the wake of new circumstances and trends taking charge, the densely populated continent proffers tremendous opportunity for the businesses to entice millions of users.

In April 2020, the closure of e-commerce sites for non-essential items, restaurants, and others caused a dip in transactional value for UPI payments. But by May, the scenario had completely changed. In that month, total transaction volumes for consumers were the highest on Google Pay, followed by PhonePe, and Paytm. On the merchant side, the highest was on PhonePe. By July, the digital payment transactions had rebounded and reached pre-Covid levels. This was despite the lockdown causing contraction in the Indian economy.

“Cash-on-delivery (including both card and cash transactions) has seen a significant decline from 40 per cent during pre-Covid levels. While a large part of this shift has been organically



Mrigank Gutgutia  
Director of E-commerce, RedSeer



driven by the low contact deliveries and customers' low willingness to transact cash, some of this has also been promoted by e-tailing players by creating awareness of prepaid options for the safety of delivery teams, and putting fees on non-prepaid transactions,” says **Mrigank Gutgutia, Director of E-commerce, RedSeer.**

The pace of the adoption of digital services across major channels has accelerated and companies are leveraging this through unified payments interface (UPI) infrastructure, providing payment links through SMS, pushing users to leverage digital wallets, and offering new pay-later options to replace cash.

Buy-now-pay-later has emerged as one of the most propitious trends in the ecosystem. International payment service provider Klarna has proved how alternative payment options can open up a whole new market for brands and retailers. Although still in its nascent stages, buy-now-pay-later is an attractive model that allows customers to purchase items even with budgetary limitations, sometimes even pushing them to splurge more than their purse would allow. And, brands are catching on.

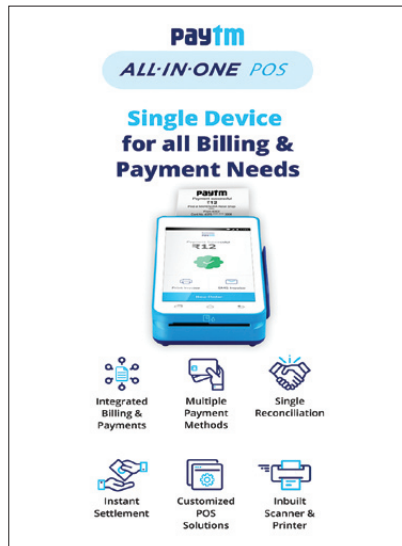
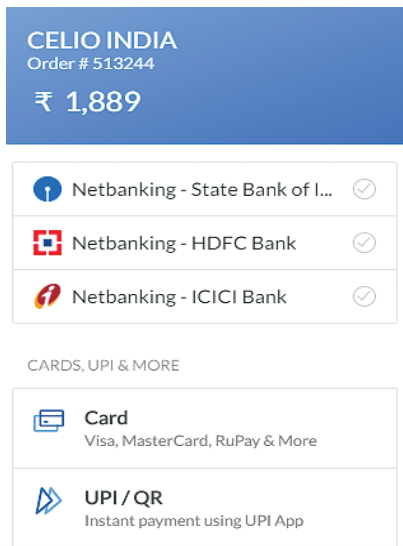
Talking about contactless payment options and the prospect of ‘buy-now-pay-later’ specifically, **Abhishek Shetty, CMO & Head- E-commerce, Celio,** says, “Pay later, cardless-EMI and EMI have become preferred payment modes with a growth of 290 percent, 178

percent and 125 percent, respectively. While we don't have the Pay-later option live yet, we are currently working with few of our partners for exploring this payment option for our consumers. It is definitely an interesting payment-driven incentive to drive more purchases.”

The increasing adoption of cashless payments also presents the question of whether this is a trend driven by metropolitans and Tier-1 cities or the Tier-2 and below towns are also part of the rising digital movement. **KK Mathur, Head of IT at V2 Retail** while talking at *RAI's Panel Discussion on Innovations in Cash Management and Digital Payments* agreed that there lies huge potential in guiding the Tier-2, Tier-3 and Tier-4 consumers towards digital payments. For this purpose, brands are offering cashbacks and promo offers to entice



Abhishek Shetty  
CMO & Head- Ecommerce, Celio



more and more customers to get over the initial hitch of jumping on the bandwagon. When it comes to fashion, the most conducive mode has come to be mobile payments. Mostly all fashion brands have their own web stores and mobile applications and tend to provide cashback or reward points on a regular basis as part of their promotion.

The endeavour to educate as well as enable the consumers to experience these modes of payment is turning out to be fruitful as the number of transactions done cashless is increasing.

## Innovations and industry leaders

As the acceptance increases, it is no surprise that both brands and fintech companies are taking advantage of the favourable scenario. NPCI data showed UPI clocked 1.49 billion transactions worth Rs 2.9 trillion in July 2020. In August 2020, UPI volumes touched 1.61 billion transactions worth Rs 2.98 trillion. So as transaction volumes increase, innovations are important to keep consumers wanting more.

In the wake of the ongoing crisis, homegrown fintech magnate **Paytm** launched a pocket sized, all-in-one Android PoS device – a nimble gadget that resembles a smartphone, but is as good as a smart point-of-sale device.

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The company said it was an effort to enable more SMEs to digitise their businesses with contactless ordering and payment solutions. The device can be used by delivery personnel, *kirana* store merchants, and other small shopkeepers to accept digital payments, in any form, on-the-go.

Costing up to 30 percent lower than existing solutions in the market, Paytm's pocket PoS device costs Rs 499 per month, and comes with an inbuilt camera to scan QR codes. The device has several 'industry-first' features and services including cloud-based software for billing, payments, and customer management.

Additionally, in order to boost the uptake of digital transactions as well as manage the surge of orders during festive season, Flipkart has partnered with Paytm to provide customers a slew of offers and benefits. This partnership will enable millions of Paytm users to conveniently pay through their Paytm Wallet and Paytm UPI while shopping on Flipkart during The Big Billion Days. Flipkart customers will enjoy instant cashback to their Paytm wallets.

Amazon has also been gradually expanding its fintech offering in India, organically as well as through acquisitions. In August, Amazon launched 'Gold Vault' in India, where users can buy digital gold for as little as Rs 5 and at least two mutual funds have partnered with the platform apart from the myriad other e-commerce services who have integrated Amazon Pay into their offerings.

The world of digital payments banks on innovation and a recent fintech gaining traction is Razorpay. The Bengaluru-based fintech start-up recently entered the unicorn club amidst the Coronavirus pandemic after raising US \$100 million in Series D funding, in a round co-led by GIC, Singapore's sovereign wealth fund, and Sequoia Capital India. The growth of such finance solution providers is proof that the market is expanding with many players now entering the market and still being able to successfully find funding from both domestic and foreign investors.

## Facing the challenges head on

Wherever there is innovation, there are challenges involved, especially if we talk about anything virtual. The threat of cybercrime looms large in the space of digital transactions and even as brands and solution providers grow more cautious, the fraudulent crime-mongers grow to be more innovative.

**Lyra Network India**, a leading digital payments solution provider, boasts of a diverse portfolio of clients in segments including banking, education, retail, fashion, e-merchants, financial





Rajesh Desai  
CEO & MD, Lyra Network India

institutions, railways, and transport, and takes the security of its transactions very seriously. "Cybertheft is increasing rapidly and due to digital illiteracy, people are becoming afraid to use digital payments. Lyra's team is available 24/7 to resolve their queries. We also educate employees on security policies and the security techniques we use. Lyra is PCI DSS-compliant and certified by Visa, MasterCard and RuPay. These are standard security guidelines and we make sure that our clients know that the payment processing solution they are using is safe, secure, and follows standards given by the Government and RBI," avers Rajesh Desai, CEO & MD, Lyra Network India.

Talking about challenges that present from the perspective of the consumer or client, Rajesh adds, "The main challenge is awareness. People are aware but their knowledge is limited. The most threatening and fearsome challenge is fraud and chargeback. As a payment service provider, we make sure that our clients know the whole procedure and common causes of fraud. The next challenge comes in the form of integration. For businesses to accept digital payments via their websites, it is necessary to have a payment gateway integrated. But not all business owners have the knowledge about integration. Lyra always makes sure that the client gets the basic information about

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CEO & MD, Lyra Network India



Ranjan Sharma  
CIO and Head of Supply Chain, Bestseller India

integrating. All in all, lack of knowledge may lead to all kinds of problems and challenges but with proper guidance, digital payments can be made easy and secure."

**Ranjan Sharma, CIO and Head of Supply Chain, Bestseller India** agrees with the notion that creating awareness is one of the major challenges surrounding this field. Although people are moving in the right direction aided by the RBI issuing guidelines to prevent any mishaps, almost a third of online transactions have been hit by some challenges or fraud in the recent past. With so many fake apps and websites doing the rounds on the internet, it is difficult for a consumer to entrust a third party with their money which is why COD became a mode of earning consumer trust in India.

In conclusion, adapting to new technology always presents its own set of hurdles but as it becomes a more and more indelible part of our daily lives, the digital payment ecosystem is showing signs of exponential growth. The rise of the cashless economy is not an attack on the viability or the popularity of cash payments but every report on the market is indicative of the fact that the innovations in the field and the endeavour to spread awareness by brands and fintechs has been successful and digital payment in all its forms is here to stay.

