The North East Regional Workshop on Direct Benefit Transfer

21st November, 2016
Imphal, Manipur

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Evolution of Payment Innovations...

- 6th Century BC
- Coins
- 1871
- 1880
- 1990s
- Electronic Funds Transfer
- 2000
- WAP enabled mobile banking
- 2004
- RTGS
- 2005
- NEFT
- 2010
- IMPS
- Mobile Wallets
- 2011
- UPI
Immediate Aftermath of Demonetization - Shift from Cash to ...
... Digital Payments

THE SPIKE AT A GLANCE

- Ola Money
  1500% increase in wallet recharges

- Paytm
  435% increase in overall traffic

- Razorpay
  200% spike in traffic

- MobiKwik
  15x traffic
Growth in Digital Txns

**EXHIBIT 2.2 | Massive Growth in Digital Transactions**

Number of transactions (billions)
Indian Banking industry

<table>
<thead>
<tr>
<th></th>
<th>FY 13</th>
<th>FY 14</th>
<th>FY 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>4%</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>ECS¹</td>
<td>12%</td>
<td>10%</td>
<td>26%</td>
</tr>
<tr>
<td>POS</td>
<td>51%</td>
<td>50%</td>
<td>51%</td>
</tr>
<tr>
<td>Internet</td>
<td>3%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>NEFT (in Branch)</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Cheque</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Cash</td>
<td>1%</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>ATM</td>
<td>25%</td>
<td>20%</td>
<td>9%</td>
</tr>
</tbody>
</table>

**Sources:** FIBAC Productivity Survey 2015; RBI; IBA; BCG analysis.
¹ATM/CDM includes withdrawals transactions at ATM and deposit transactions at CDMs. ATM and Mobile transactions included are financial transactions only.
²Traditional channels include Cash and Cheque. Cash transactions refer to counter cash transactions within branch.
³ECS transactions can be initiated offline or through online channels but once set up.
⁴E-commerce transactions to include electronic transactions using debit and credit cards.

Will demonetization be the inflection point?

Image Credit: Boston Consulting Group
DBT Transformation with Digital Payments

Total Direct Benefit Transfer (Cumulative) ₹ 1,42,248.16 Cr

TOTAL DIRECT BENEFIT TRANSFER (FY 2016-17) ₹ 34,130.00 Cr+

TOTAL NO. OF TRANSACTIONS (FY 2016-17) 82.18 Cr+

NO. OF SCHEMES 78
MINISTRIES 17

SAVINGS ₹ 36,144 Cr

AADHAAR BASED PAYMENTS ₹ 9,252.32 Cr+

Centre for Digital Financial Inclusion
DBT inflows have turned digital - other flows need to do the same for maximum impact

Next Task: To make DBT effective and promoting livelihood

<table>
<thead>
<tr>
<th>INFLOWS</th>
<th>OUTFLOWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ DBT</td>
<td>✓ Household routine expense:</td>
</tr>
<tr>
<td>✓ Wages</td>
<td>✓ Grocery/Beverages/Veg/Milk etc.</td>
</tr>
<tr>
<td>✓ Flows associated with livelihoods</td>
<td>✓ Travel, Fuel/conveyance</td>
</tr>
<tr>
<td>✓ Agri, Fisheries, Milk etc.</td>
<td>✓ Clothes</td>
</tr>
<tr>
<td>✓ Products made</td>
<td>✓ Children’s Education</td>
</tr>
<tr>
<td>✓ Services rendered</td>
<td>✓ Medical</td>
</tr>
<tr>
<td>✓ Others</td>
<td>✓ Festival, Purchase of Assets</td>
</tr>
<tr>
<td>✓ Reimbursements</td>
<td>✓ Personal Expenses</td>
</tr>
<tr>
<td></td>
<td>✓ Loans - Principal/Interest payments</td>
</tr>
</tbody>
</table>
Digital Payments Solutions

- Card Terminals
- NEFT/RTGS
- Mobile Banking
- Mobile Wallets
- IMPS
- UPI
E-Wallets

PPIs - explosive growth
Recent Government Initiatives

**RBI**

- **Bharat Bill Payment System (BBPS) Implementation Guidelines- Nov 2014**
  - A tiered structure for operating the bill payment system in the country with a single brand image providing convenience of ‘anytime anywhere’ bill payment to customers
  - To address – 3,080 cr bills amounting to **Rs. 6,22,300 crore** generated each year (as estimated in 2013) in the top 20 cities

Ref: [https://rbidocs.rbi.org.in/rdocs/notification/PDFs/BBPS28112014CIRFNLC.pdf](https://rbidocs.rbi.org.in/rdocs/notification/PDFs/BBPS28112014CIRFNLC.pdf)

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Recent Government Initiatives

MoF

Promotion of Payments through Cards and Digital Means Guidelines - Feb 2016

Goal - Providing incentives for cashless transactions – both Govt and regular commerce

Steps
- Card/ Digital Transactions in Government Payments and Collections
- Measures for Wider Adoption of Card/ Digital Transactions
- Creating Acceptance Infrastructure
- Encouraging Mobile Banking/ Payment Channels
- Awareness and Grievance Redressal

Absorption of MDR Cost - July 2016

Govt Depts to absorb MDR Cost for debit card/credit card/digital transactions

Watal Committee Constitution - Aug 2016

To recommend measures to incentivize digital transactions -- tax rebates/ incentives, cash back, lottery etc;
Recent Government Initiatives

MeiTY

Publishing of EPR Framework - Nov 2016
Provide guidelines and actionable instructions for adoption of electronic payment modes by Government Departments including guidelines on engagement with various payment service providers.

States

• The Payment of Wages (Punjab Amendment) Act, 2013 - Government of Punjab
  “Provided further that the State Government may, by notification in the Official Gazette, specify the industrial establishment, the employers of which shall pay to the persons employed therein, the wages either by cheque or by crediting the wages in their bank account.”

• Kerala Government : Wage Protection System
  Ensure minimum wages as prescribed by law by crediting the salary and allowances directly in employees salary account maintained at various branches.
Digital GKSF
CDFI intervention - Jan 2016

Promoting Digital Payments
with Incentivization through Lucky Draw Coupons

- No of First time card users + 9%
- Total Card Transactions + 14%

No of First time card users
- 7,681  =>  8,360  + 9% jump

Weekly Data
Essential to create an ecosystem

Ecosystem creation Underway in India

Comprehensive DBT Program

Vibrant fin-tech space

Tailored financial products

Benefit delivery ecosystem

Differentiated banking

Cashless payments infrastructure

Benefits design Platform

Online marketplace for loans / insurance products

Online lending platform for SMEs

Mobile POS solution provider

Mobile payments

Recharges

e-commerce

Savings

Insurance

Pension

Small business credit

Flexible repayment options

RuPay

Mobile wallets

Payment service providers

NEFT

IMPS

Aadhaar infrastructure

E-sign and digital locker

Aadhaar infrastruct ure

One account per household

Banking agent network

Universal banks

Payment banks

Small finance banks

Financial Literacy Platforms

e-KYC

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Shape of things to come...