

Digital payments can usher in an era of prosperity

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Cricket

During its G20 presidency, India, through the use of open technologies and sharing knowledge about DPs freely, can bring global prosperity



Whether it is the coconut seller who accepts payments via QR code, or a luxury e-commerce app, a rising tide lifts all boats.(HT Archive)

The Covid-19 pandemic has been an epochal event that has changed the world as we know it and will continue to shape it even long after it is over. It was a wake-up call for all of us. We realised that things we take for granted are fragile.

Manufacturers realised that their supply chains were concentrated, which has led them to rethink their manufacturing strategy to a China+1 model. Restaurants, retail, and other consumer-facing businesses realised that digital was no longer an add-on, but the main channel for them to acquire and transact with their customers. Many companies had a digital strategy in place, but the pandemic

accelerated their plans. We saw decades-old businesses that had underinvested in their digital strategy crumble, while businesses that had prepared for digital accelerated their growth even further. While the wisdom of digital was already gospel in the world of business, the pandemic made that wisdom apparent to governments as well.

During the onset of Covid-19, hundreds of millions of India's most vulnerable populations were able to receive government aid through Direct Benefit Transfer (DBT) because of its existing Aadhaar-bank linkages. The State was able to create and roll out the largest vaccination platform in the world, CoWIN.

Through CoWIN, citizens could book slots for getting vaccinated, take different doses of vaccines at different centres, and obtain digital vaccination certificates. These were achievements that even developed nations were not able to manage.

The reason behind this is India's public, interoperable, and population-scale digital infrastructure. These digital roads and highways have allowed India to accelerate development across multiple dimensions — poverty, health care, education, livelihoods, and others. Digital systems make services accessible and affordable to those who would be otherwise excluded. India's national ID system, Aadhaar, inducted millions into the formal economy. Aadhaar-linked bank accounts allowed for easy and transparent DBT, solving problems of duplication. Other infrastructure such as the Unified Payments Interface (UPI) enabled digital-fast payments that allowed small businesses to transact even remotely during the pandemic.

Moreover, by creating digital public infrastructure in the form of building blocks — as a set of application programming interfaces (API), open standards and components — India's private innovators are able to innovate on top of the digital stack. This led to a boom in the Indian fintech market and is also helping bring micropayments. India's digital public infrastructure being public enables entrepreneurs to innovate. Whether it is the coconut seller who accepts payments via QR code, or a luxury e-commerce app, a rising tide lifts all boats.

This open, non-proprietary and interoperable infrastructure brought about financial inclusion on a scale that's not been seen before. In 2009, less than 20% of Indians had bank accounts. Today, over 80% of Indians have one. India has the highest volume of digital payments in the world, with 9.3 billion transactions in June 2023. There are over 5.93 billion documents issued to over 179.3 million residents on DigiLocker. All of this digitisation leads to increases in the formalisation of the economy. This has multiple benefits.

First, it leads to an increase in productivity. In a September 2022 statement, the minister for road transport and highways said that the average wait time at toll plazas has come down from eight minutes to 47 seconds due to FASTag.

Second, this data can be used to access credit, unlocking a multiplier effect on the economy. Thanks to the 1.1 billion accounts being on the account aggregator network, the data from these banks and other financial accounts can be shared seamlessly. The originations of small ticket loans (< ₹10,000) now make up more than 70% of all loan originations. Loans are now reaching the small guys, and

not just the big businesses. Before the pandemic, India's achievements in digital public infrastructure were seen as an impressive achievement in tackling financial inclusion. However, these are now expanding into other sectors, such as health and commerce.

The Ayushman Bharat Digital Mission and Open Network for Digital Commerce are two such Digital Public Infrastructure (DPI) projects that hold the promise of leapfrog growth in access to health and e-commerce respectively. These DPIs are relevant not just in a developing nation context but are important challenges that even developed nations have not been able to solve effectively.

What the pandemic taught us is that efficiency is great, but it is resilience that will protect us. External events can cause us to reprioritise policy goals abruptly. Even with the right policy, there often are challenges in implementation. A fragile world needs an agile nation, one whose digital infrastructure allows it to respond nimbly to crises.

India's digital public infrastructure allowed us to not just think up the right policies, but also scale them to population scale quickly. The world has taken notice. Having a sound digital base is important for every country, whether developing or developed, whatever be their policy objectives. No country has a similar system in place, especially not at this scale. This is why, during India's G20 leadership, we are playing an important role. We have lessons, challenges and best practices to share. We are already known for engineering talent and the IT services industry.

Already, the Indian Institute of Information Technology, Bangalore (IIIT-B) has a project known as the Modular Open Source Identity Project (Mosip). Mosip is a home-grown open-source identity programme modelled on Aadhaar. It is being implemented in countries, such as Morocco and the Philippines.

During its G20 presidency, the country has restated its commitment to an open, inclusive and democratic approach to technology. These DPIs help create resilient societies that can achieve their goals faster. By using open technologies and sharing knowledge freely, we strengthen the sovereignty of these nations, not impose on them. Sharing India's DPI experience is thus aligned with its philosophy of One Earth, One Family, One Future.

Nandan Nilekani and Tanuj Bhojwani are co-authors of the book 'The Art of Bitfulness: Keeping Calm in the Digital World'. The views expressed are personal