USERS’ PERSPECTIVES ON DIGITAL PAYMENTS

Presentation for
High-Level Committee on Deepening of Digital Payments

Amol Kulkarni (Fellow, CUTS International)
Swasti Gupta (Research Associate, CUTS International)
Contents

Summary of findings and recommendations

About our interventions

Part I: Consumers’ perspective on digital payments

Part II: Merchants’ perspective on digital payments

Part III: Users’ perspective on data sharing, privacy and data protection

Part IV: Users’ perspective on OTT applications
Consumers perspective

- Positive correlation between education, awareness and infrastructure availability. Awareness and infrastructure availability not sufficient for sustained usage.
- Less educated, females, older, rural, low income consumers face greater and different challenges in usage. Challenges also differ with modes. User and mode wise strategies needed. Professionalization and leveraging the role of intermediaries in assisted digital payments may be explored.
- Effective competition and innovation to democratise access, increase awareness, ensure availability of acceptance infrastructure, reduce costs, improve convenience, enhance quality, facilitate seamless use, and minimise failure rates is required.
- Enabling regulatory framework to operationalise interoperability, ensure effective recourse mechanism, and improve security needed.

Merchants perspective

- Positive correlation between education and income, awareness and infrastructure availability. Awareness and infrastructure availability not sufficient for sustained usage. Less educated, older, rural, low income merchants face greater and different challenges in usage. Customised merchant wise strategies are required.
- Effective competition and innovation to democratise availability of acceptance infrastructure, increase awareness, ensure adequate incentives for uptake across merchant chain, enhance security and minimise failure rates is required.
- Enabling regulatory framework to ensure availability of standardised interoperable low cost acceptance infrastructure, and effective recourse mechanism needed.

Data sharing, privacy and data protection

- Enhancement of trust in service providers by reducing fraud, improving convenience, fixing accountability, compensating users is required. Empowerment of users through easy to read privacy policies, reducing information asymmetry by informing purpose of data collection, ensuring active and informed consent essential.

Use of OTT applications

- Digital payments apps need to be more user friendly, consume less data and battery, available in local language and use innovative tools to enhance usability.
### About Our Interventions

<table>
<thead>
<tr>
<th>Part I: Consumers’ Perspective on digital payments</th>
<th>Part II: Merchants’ Perspective on digital payments</th>
<th>Part III: Data Sharing, Privacy and Data Protection</th>
<th>Part IV: Use of Over the Top (OTT) applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total sample size: 1200 consumers covering divergent demographics</td>
<td>Total sample size: 800 merchants covering divergent demographics</td>
<td>Total sample size: 2400 respondents covering divergent demographics, of which 705 respondents were users of digital financial services</td>
<td>Total sample size: 496 consumers covering divergent demographics, of which 70 respondents used OTT applications for financial services</td>
</tr>
<tr>
<td>Geography: Karnataka, Haryana, Madhya Pradesh, Bihar and Assam</td>
<td>Geography: Uttar Pradesh, West Bengal, Punjab, Andhra Pradesh, and Maharashtra</td>
<td>Geography: Rajasthan</td>
<td></td>
</tr>
<tr>
<td>Objective: Understanding awareness, usage, experience, challenges and reforms required in deepening digital payments from consumers’ and merchants perspective</td>
<td>Objective: Understanding users’ perspectives on privacy, data sharing and comfort, trust, confidence and data protection.</td>
<td>Objective: Understanding users’ perspectives on benefits and challenges of OTT services.</td>
<td></td>
</tr>
</tbody>
</table>
GEOGRAPHIC DISTRIBUTION OF THE STUDIES

- Maharashtra
- Assam
- West Bengal
- Punjab
- Haryana
- Uttar Pradesh
- Rajasthan
- Bihar
- Madhya Pradesh
- Karnataka
- Andhra Pradesh and Telangana
- Punjab
- Haryana
- Uttar Pradesh
- Rajasthan
- Bihar
- Madhya Pradesh
- Karnataka
- Andhra Pradesh and Telangana
Part I: Consumers’ Perspective on Digital Payments
Only 1 of 4 consumers have access to adequate infrastructure. Highly educated, males and high income groups are significantly more likely to have access as against their low/uneducated, females and low income counterparts.
Awareness of Digital Payments (% of consumers)

Average awareness among advantaged groups (male, young, urban, highly educated and high income): 64%. Highly educated seem to have added advantage.

Average awareness among disadvantaged groups (females, not young, rural, low and uneducated and low/ no income): 45%
Average usage among aware advantaged groups (male, young, urban, highly educated and high income): 50%.

Average usage among aware disadvantaged groups (females, not young, rural, low and uneducated and low/no income): 44%.

Low conversion rate among highly aware groups like highly educated indicate that mere awareness is not sufficient for use.

Extremely low conversion rate among aware females and low income groups indicate additional challenges which hinder use, despite awareness.
• Lack of infrastructure, awareness, formal and informal charges hinder card use most.

• Different users may prioritise different challenges.

• Disadvantaged groups (old, low/uneducated, low income) prioritise electricity connectivity over processing charges (latter being prioritised over former by young, educated, high income earning counterparts).
Different users may prioritise different challenges. Females prioritise awareness over interoperability (latter being prioritised over former by male counterparts).

Lack of interoperability, awareness, formal and informal charges, unavailability, and network issues hinder wallet use most.
KEY CHALLENGES IN AADHAAR PAYMENTS
(% OF RESPONSES)

- Different users may prioritise different challenges.
- Rural users prioritise commission to intermediary over transaction failure (latter being prioritised over former by urban counterparts).
- High formal and informal charges, unavailability of intermediary, transaction failure and infrastructure availability hinder Aadhaar payments most.
Different users may prioritise different reforms. For instance, low/uneducated prioritise local language over security (latter being prioritised over former by educated counterparts). Awareness, infrastructure, assistance, security and local language availability are key to deepen digital payments.
<table>
<thead>
<tr>
<th>Priority</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater awareness</td>
<td>81%</td>
</tr>
<tr>
<td>Uninterrupted Electricity Supply</td>
<td>75%</td>
</tr>
<tr>
<td>Good Internet Connection</td>
<td>56%</td>
</tr>
<tr>
<td>Greater Assistance in Use</td>
<td>45%</td>
</tr>
<tr>
<td>Security</td>
<td>41%</td>
</tr>
<tr>
<td>Availability in Local Language</td>
<td>38%</td>
</tr>
<tr>
<td>Effective recourse mechanism</td>
<td>30%</td>
</tr>
<tr>
<td>Availability of acceptance infrastructure</td>
<td>28%</td>
</tr>
<tr>
<td>Reduction in failure rates</td>
<td>22%</td>
</tr>
<tr>
<td>Improved user interface</td>
<td>28%</td>
</tr>
<tr>
<td>Effective recourse mechanism</td>
<td>22%</td>
</tr>
<tr>
<td>Availability of acceptance infrastructure</td>
<td>25%</td>
</tr>
<tr>
<td>Reduction in failure rates</td>
<td>22%</td>
</tr>
<tr>
<td>Improved user interface</td>
<td>28%</td>
</tr>
</tbody>
</table>

**DIVERGENT CONSUMERS PRIORITIES**

**RURAL AND URBAN**

(% OF RESPONSES)

Greater support required by rural users
Grievance redress prioritised higher by urban users
Grievance redress prioritised higher by female users
Part I: Key Findings and Recommendations

There is positive correlation between education of consumers and awareness and infrastructure availability of digital payments.

Awareness and infrastructure availability are necessary but not sufficient conditions for deepening of digital payments.

Disadvantaged groups like less educated, females, older, rural, low income groups face greater challenges in awareness and use of digital payments, and thus deserve higher attention, protection and handholding.

Different users may face divergent challenges while using various modes of digital payments. Customised user and mode wise strategies may be formulated for deepening digital payments.

Professionalization and leveraging the role of intermediaries in assisted digital payments may be explored.

Increase in competition and innovation to democratise access of digital payment modes in different languages, ensure availability of acceptance infrastructure, reduce costs, improve convenience, enhance quality and security, facilitate seamless use and interoperability, and minimisation of failure rates is required.
Part II: Merchants’ Perspective on Digital Payments
Only 30% merchants have access to adequate infrastructure. Highly educated and high income groups are significantly more likely to have access to as against their low/uneducated, and low income counterparts.
Average awareness among advantaged groups (young, urban, highly educated and high income): 82%. Highly educated seem to have added advantage.

Average awareness among disadvantaged groups (not young, rural, low and uneducated and low/no income): 78%. Low/uneducated seem to face additional challenges to become aware.
Average usage among aware advantaged groups (young, urban, highly educated and high income): 51%.

Average usage among aware disadvantaged groups (not young, rural, low and uneducated and low/no income): 46%

Low conversion rate among highly aware groups like highly educated indicate that mere awareness is not sufficient for use.

Extremely low conversion rate among aware low/uneducated, low income groups indicate additional challenges which hinder use, despite awareness.
Different merchants may prioritise different challenges. For instance, rich merchants may prioritise customer awareness over affordable acceptance infrastructure (latter being prioritised over former by poor counterparts). Expenses and unreliable infrastructure, unaware customers, lack of interoperability, transaction failures and charges are hinder merchants from accepting digital payments from consumers.
Different merchants may prioritise different reforms. For instance, urban merchants may prioritise effective recourse mechanism over affordable acceptance infrastructure (latter being prioritised over former by rural counterparts).
DIVERGENT MERCHANT PRIORITIES
RURAL AND URBAN
(% OF RESPONSES)

Greater awareness (56%)
Uninterrupted Electricity Supply (50%)
Good Internet Connection (49%)
Greater Security (39%)

Low cost acceptance infrastructure (37%)
Reduction in failure rate (32%)
Effective recourse mechanism (29%)
Additional incentives (23%)
Low charges (23%)
Acceptance by suppliers (27%)
Low cost infrastructure (19%)
Acceptance by suppliers (18%)

More rural merchants prioritise electricity & internet supply, security, low cost, reduction in failure rate

Urban merchants prioritise grievance redress and additional incentives

Greater awareness (64%)
Greater internet connection (39%)
Uninterrupted Electricity Supply (36%)
Greater security (31%)
Uninterrupted Electricity Supply (36%)
Good Internet Connection (39%)
Greater security (31%)

DIVERGENT MERCHANT PRIORITIES
POOR AND RICH
(% OF RESPONSES)

Uninterrupted electricity supply (52%)

Greater awareness (50%)

Good Internet Connection (45%)

Effective recourse mechanism (34%)

Greater security (34%)

Uninterrupted electricity connection (33%)

Reduction in failure rate (27%)

Low cost acceptance infrastructure (22%)

Acceptance by suppliers (18%)

Effective recourse (20%)

Additional incentives (20%)

Low cost charges (29%)

Additional incentives (27%)

Reduction in failure rate (27%)

Acceptance by suppliers (26%)

Low charges (18%)

More poor merchants prioritise electricity supply and reduction in failure rate

More rich merchants prioritise customer awareness, connectivity and recourse mechanism
Part II: Key Findings and Recommendations

- There is positive correlation between education and income of merchants, and awareness and infrastructure availability of digital payments.

- Awareness and infrastructure availability are necessary but not sufficient conditions for deepening of digital payments.

- Disadvantaged groups like less educated, older, rural low income merchants face greater challenges in awareness and use of digital payments, and thus deserve higher attention, protection and handholding.

- Different merchants may face divergent challenges in accepting digital payments from consumers. Customised merchant wise strategies may be formulated for deepening digital payments.

- Need to increase competition and innovation to democratise availability of high quality low cost acceptance infrastructure, improving convenience and ease of use, enhancing security, minimising failure rates, and ensuring effective grievance redress.
Part III:
Approach of Users of Digital Financial Services to Data Sharing, Privacy and Data Protection
Lack of trust/possibility of fraud and inconvenience in online services are key reasons for use of offline services.
ARE USERS OF DIGITAL FINANCIAL SERVICES COMFORTABLE IN SHARING FINANCIAL DETAILS THEY THINK THEY ARE SHARING? (% OF RESPONDENTS)

Most users of digital financial services don’t think they are sharing financial details. Many users who share financial details are not comfortable in doing so.
A little less than half of the users of digital financial services think data is being collected to verify them.
Substantial proportion of users perceive financial fraud as one of the major risks.
Significantly high proportion of users of digital financial services don't read privacy policies. Among those who read, very few understand.
Part III: Key Findings and Recommendations

Enhancement of trust in digital payment service providers through reducing possibility of fraud, improving convenience, fixing accountability, compensating users, and improving grievance redress is needed.

Empowerment of users through easy to read and understand privacy policies, reducing information asymmetry and increasing transparency by informing users purpose of data collection, and ensuring active and informed consent is essential.
Part IV: Perspective of Users of Digital Financial Services Applications on Over the Top Applications (OTT)
CHALLENGES FACED BY USERS OF DIGITAL FINANCIAL SERVICES APPS WHILE USING OTT APPS (% OF RESPONSES)

Key Concerns:
• Connectivity issues
• Data consumption
• Battery consumption

- Don’t work or limited utility with weak internet connection
- Occupies a lot of storage space on the device
- Don’t work on old smartphones
- App crashes frequently/ does not work properly
- Not available in local language
- Poor design/user interface
- Consumes more power/battery
- Consumes a lot of data/ internet
IMPROVISATIONS REQUIRED BY USERS OF DIGITAL FINANCIAL SERVICES APPS WHILE USING OTT APPS
(% of Responses)

Key improvisations required:
• Less data
• Battery consumption
Part IV: Key Findings and Recommendations

Digital payments applications need to consume less data and battery, and be more user friendly.

They should be available in local language and use innovative tools to enhance usability.
THANK YOU

For queries, clarifications and suggestions, please contact:

Amol Kulkarni
Fellow
CUTS International
amk@cuts.org

Swasti Gupta
Research Associate
CUTS International
swg@cuts.org