USERS’ PERSPECTIVES ON DIGITAL PAYMENTS

Presentation for High-Level Committee on Deepening of Digital Payments

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Consumers perspective

• Positive correlation between education, awareness and infrastructure availability. Awareness and infrastructure availability are not sufficient for deepening digital payments. Less educated, females, older, rural, low income consumers face greater challenges.
• Different users may face divergent challenges while using various modes of digital payments. Customised user and mode wise strategies are needed. Professionalization and leveraging the role of intermediaries in assisted digital payments may be explored.
• Increase in competition and innovation to democratise access, 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.

Merchants perspective

• Positive correlation between education and income, awareness and infrastructure availability. Awareness and infrastructure availability not sufficient for deepening digital payments. Less educated, older, rural, low income merchants face greater challenges. Different merchants may face divergent challenges in accepting digital payments. Customised merchant wise strategies are required.
• Increase in 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 is required.
### About Our Interventions

**Part I: Consumers’ Perspective on digital payments**
- Total sample size: 1200 consumers covering divergent demographics

**Part II: Merchants’ Perspective on digital payments**
- Total sample size: 800 merchants covering divergent demographics

**Geography:** Karnataka, Haryana, Madhya Pradesh, Bihar and Assam

**Objective:** Understanding awareness, usage, experience, challenges and reforms required in deepening digital payments from consumers’ and merchants perspective
GEOGRAPHIC DISTRIBUTION OF OUR STUDY

Assam
Haryana
Karnataka
Madhya Pradesh
Bihar
Assam
Madhya Pradesh
Karnataka
Part I: Consumers’ Perspectives on Digital Payments
Consumer Categories (1200)

Advantaged groups

- Male
- Female
- Young (aged 32 and below)
- Old (aged 33 and above)
- Urban
- Rural
- Education beyond secondary
- Education up to secondary
- Has annual income
- No annual income

Disadvantaged groups
Only 1 of 4 consumers have access to adequate infrastructure. Advantaged groups are significantly more likely to have access as against their disadvantaged counterparts.
Average awareness among advantaged groups: 64%.

Highly educated seem to have added advantage.

Average awareness among disadvantaged groups: 45%
Conversion among aware advantaged groups: 50%

Low conversion rate among aware advantage groups indicates that infrastructure access and awareness is not sufficient for use.

Conversion among aware disadvantaged groups: 44%

Extremely low conversion rate among aware disadvantaged groups indicates additional challenges in use.
• Lack of infrastructure, unawareness, formal and informal charges, connectivity issues hinder card use most.

• Disadvantaged groups prioritise connectivity over charges (latter being prioritised over former by advantaged groups).
• Lack of interoperability, unawareness, formal and informal charges, unavailability issues hinder wallet use most.

• Females prioritise awareness over interoperability (latter being prioritised over former by males).
• High formal and informal charges, unavailability of intermediary, transaction failure hinder Aadhaar payments most.

• Rural users prioritise commission to intermediary over transaction failure (latter being prioritised over former by urban counterparts).
• Awareness, connectivity, assistance and security are key to deepen digital payments.

• Low/uneducated prioritise local language over security (latter being prioritised over former by educated counterparts).
**DIVERGENT CONSUMERS PRIORITIES FOR REFORMS: RURAL AND URBAN**

(\% OF RESPONSES)

**Barrier #1: Awareness**
- Greater awareness (81\%)

**Barrier #2: Connectivity**
- Uninterrupted Electricity Supply (75\%)
- Good Internet Connection (56\%)

**Barrier #3: Assistance & Cost**
- Better Assistance in Use (45\%)
- Security (41\%)
- Availability in Local Language (38\%)

**Barrier #4: Payment modes**
- Availability of acceptance infrastructure (36\%)
- Effective recourse mechanism (28\%)
- Effective recourse mechanism (25\%)

**Other Barriers**
- Availability of acceptance infrastructure (36\%)
- Effective recourse mechanism (22\%)
- Integrated grievance redress system (22\%)

**Greater support required by rural users**
- Acceptance infrastructure, failure rates prioritised higher by more rural users
- Grievance redress prioritised higher by urban users
DIVERGENT CONSUMERS PRIORITIES FOR REFORMS: FEMALES AND MALES
(% OF RESPONSES)

Barrier #1: Awareness
Greater awareness (81%)

Barrier #2: Connectivity
Uninterrupted Electricity Supply (60%)

Barrier #3: Assistance & Cost
Greater awareness (77%)

Barrier #4: Payment modes
Uninterrupted Electricity Supply (58%)

- Greater awareness
- Uninterrupted Electricity Supply
- Good Internet Connection
- Better Assistance in Use
- Security
- Availability in Local Language
- Reduced failure rates
- Availability of acceptance infrastructure
- Effective recourse mechanism
- Improved user interface
- Improved user interface

Acceptance infrastructure, failure rates prioritised higher by more male users
Grievance redress prioritised higher by female users
There is positive correlation between education of consumers and: i) awareness; ii) connectivity and infrastructure availability, of digital payments. These are necessary but insufficient to ensure usage. Disadvantaged groups face greater challenges.

Challenges differ with payment modes: acceptance infrastructure for card payments; interoperability for wallet payments; reducing formal and informal charges for Aadhaar payments.

Top consumer priorities are awareness, connectivity, better assistance and low cost, security and local language availability. Beyond these, while rural users prioritise acceptance infrastructure, urban users prioritise grievance redress. Customised solutions needed.
Part I: Key Recommendations

- Awareness would require sustained campaign and display of use cases.
- Better connectivity would require enabling adequate innovation and competition.
- Efficient low cost assisted payments would require professionalising role of intermediaries and reducing informal charges through regulatory enforcement.
- Increased security would require efficient monitoring and enforcement of regulatory standards and fixing accountability.
- Local language availability and improved grievance redress would require enabling adequate transparency and user empowerment.
- Enhanced availability of acceptance infrastructure would require deregulating merchant discount rate and creating market based mechanisms.
- Interoperability and level playing field between banks and non-banks would require adoption and implementation of regulatory reforms.
- Creation of low cost quality interoperable solutions would require enabling innovation through regulation.
- Reducing informal charges require better monitoring and competition.
Part II: Merchants’ Perspectives 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: 82%

Highly educated seem to have added advantage.

Average awareness among disadvantaged groups: 78%

Low/uneducated seem to face additional challenges to become aware.
Conversion among aware advantaged groups: 51%  
Conversion among aware disadvantaged groups: 46%  

Low conversion among aware advantaged groups indicate mere awareness is not sufficient.  
Extremely low conversion among aware disadvantaged groups indicate additional challenges.
KEY CHALLENGES IN ACCEPTING DIGITAL PAYMENTS FROM CONSUMERS (% OF RESPONSES)

- Expensive and unreliable infrastructure and connectivity, unaware customers, lack of interoperability, transaction failures digital payments.

- Rich merchants prioritise customer awareness over affordable acceptance infrastructure (latter being prioritised over former by poor counterparts).
• Awareness, connectivity, security and low cost infrastructure are key to deepen digital payments

• Urban merchants prioritise effective recourse mechanism over affordable acceptance infrastructure (latter being prioritised over former by rural counterparts)
DIVERGENT MERCHANT PRIORITIES FOR REFORMS
RURAL AND URBAN
(% OF RESPONSES)

Greater awareness (64%)
Greater awareness (56%)
Greater Security (39%)
Good Internet Connection (49%)
Uninterrupted Electricity Supply (50%)
Uninterrupted Electricity Supply (36%)
Greater security (31%)
Good internet connection (39%)

Barrier #1: Awareness
Barrier #2: Infrastructure

Low cost acceptance infrastructure (37%)
Effective recourse mechanism (24%)
More rural merchants prioritise electricity & internet supply, security, low cost, reduction in failure rate

Effective recourse mechanism (29%)
Reduction in failure rate (32%)
Acceptance by suppliers (27%)
Low charges (25%)
Reduction in failure rate (22%)
Low charges (23%)
Low cost acceptance infrastructure (19%)
Acceptance by suppliers (18%)
Effective recourse mechanism (23%)
Additional incentives (23%)

Urban merchants prioritise grievance redress and additional incentives

Other Barriers
DIVERGENT MERCHANT PRIORITIES
POOR AND RICH
(\% OF RESPONSES)

More poor merchants prioritise connectivity while rich merchants prioritise awareness
More rich merchants prioritise security, grievance redress
Part II: Key Findings

There is positive correlation between education and income of merchants, and: i) awareness; ii) connectivity and infrastructure availability, of digital payments. These are necessary but insufficient for usage. Disadvantaged groups face higher challenges and need greater support.

Top merchant priorities are awareness, connectivity and security (similar to consumer priorities). Beyond these, challenges and priorities differ. Greater divergence observed among merchants as against consumers.

Rural merchants prioritise low cost acceptance infrastructure, urban and rich merchants prioritise grievance redress, poor merchants prioritise reduction in failure rates.
Part II: Key Recommendations

Greater awareness requires sustained campaigning, display of use cases and handholding

Connectivity and infrastructure availability requires innovation and competition. Deregulation of merchant discount rate and creation of market based mechanisms to ensure ubiquity key.

Security and reduction in failure rates requires better enforcement and accountability through regulatory reforms.

Low cost acceptance infrastructure requires level playing field, interoperability and innovation enabling competition reforms.

Grievance redress requires greater transparency, user empowerment and monitoring through regulatory reforms.
THANK YOU

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